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SUP 217
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NAVSUPINST 4200.85D

Subj: DEPARTMENT OF THE NAVY (DON) SIMPLIFIED ACQUISITION
PROCEDURES

Ref: (a) FAR Subpart 13
(b) DFARS Part 213
(c) NMCARS 52.213
(d) EBUSOPSOFFINST 4200.1 Series

Encl: (1) Ashore Simplified Acquisition Procedures
(2) Items Requiring Special Approval
(3) Afloat Simplified Acquisition Procedures
(4) Contingency Contracting Program

1. Purpose. To revise and reissue DON's guidance and procedures necessary to successfully utilize Simplified Acquisition Procedures (SAP) for ashore and afloat activities, guidance on Items Requiring Special Attention and the Naval Contingency Contracting Program.

2. Cancellation. NAVSUPINST 4200.85C. Due to the substantial number of revisions to this instruction, it should be read in its entirety.

3. Scope. This instruction applies to all DON contracting offices and Fleet units using SAP.

4. Background. NAVSUPINST 4200.85D has been issued to implement and supplement references (a), (b), (c) and (d).

5. Procedures. The policies and procedures issued under this instruction are to be followed unless waived per paragraph 7 below. This instruction shall not be supplemented with any other guidance.

6. Significant Changes. The following are some of the significant changes that are incorporated into this instruction:

a. Incorporates the increased Simplified Acquisition Thresholds (SAT) for the acquisition of supplies and services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack;

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- b. Stated DON's preference for commercial items;
- c. A requirement to purchase environmentally preferable products;
- d. Plan of Action and Milestones (POA&M) for SAP requirements;
- e. A chapter (Chapter 3) on performing market research;
- f. Procedures on ordering services exceeding \$100,000 under multiple award Federal Supply Schedules (FSS) to ensure competition;
- g. Guidance on making awards based on factors other than price;
- h. The use of parametric analysis to determine price reasonableness;
- i. Guidance on the use of standing price lists;
- j. Guidance on establishing Blanket Purchase Agreement (BPA) against FSS Schedules;
- k. Guidance on using Letters of Agreement (LOAs);
- l. Chapter 7C on contracting with small business;
- m. Chapter 7D on using SAP above the SAT;
- n. A sample of a SAP business clearance;
- o. Revisions to the use of fast payment procedures;
- p. Chapter 9 on the use of the purchase card as a method of payment; and
- q. Chapter 11 on managing offices using SAP.

7. Request for Changes. Recommended changes to this instruction should be sent to the Commander, Naval Supply Systems Command (NAVSUP) (SUP 02) via the cognizant Head of Contracting Activity (HCA), Performance Management Assessment Program (PPMAP) offices or Type Commander (TYCOM). The recommended change must include a statement of the problem or rationale for the change, the recommended solution or benefit from the change and any necessary discussion to completely outline the basis for the recommendation.

8. Requests for Waivers or Deviations. Requests for waivers or deviations from this instruction are to be signed by the chief

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of the contracting office for the applicable command or contracting office and submitted via their HCA to Commander, NAVSUP 02.

9. Action. This instruction is effective upon issuance.

A handwritten signature in black ink, appearing to read 'S. R. Shapro', with a large, stylized initial 'S' and a horizontal line extending to the right.

S. R. SHAPRO
Deputy Commander
Contracting Management Directorate

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ASHORE

SIMPLIFIED ACQUISITION

PROCEDURES



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INTRODUCTION

The NAVSUPINST 4200.85D has been written and organized to provide maximum utility to the contracting officer/buyer using Simplified Acquisition Procedures (SAP). The chapters of the instruction are assembled to model the acquisition process. At the beginning of each chapter, the reader will find the various stages of the procurement process identified and the stage the chapter addresses highlighted in bold. In addition, the chapters begin with a paragraph describing the stage in the process and its relative importance to the acquisition. We have to the maximum extent practicable provided samples of forms, clauses, etc., to assist the contracting officer/buyer in accomplishing simplified acquisitions.

The issuance of the Federal Acquisition Streamlining Act (FASA) and the Federal Acquisition Reform Act (FARA) have brought about broad and sweeping changes in the procurement arena providing contracting officers and buyers a broad range of tools to satisfy customer requirements. The Simplified Acquisition Threshold (SAT) was raised to \$100,000. The Commercial Item Test Program was enacted to authorize contracting officers to issue awards above the SAT using SAP among other reforms.

The contracting officer/buyer can no longer perform as strictly the acquirer of goods and services by simply plugging in the most likely contracting solution. Contracting officers/buyers must manage their customer's requirements looking for the best overall solution to satisfy the customer's short-term and long-term needs. Accomplishing this task calls for working with the customer to identify, evaluate and develop unique solutions for each customer. The contracting officer/buyer must bring the full array of contracting/procurement options to bear in satisfying the contractor's requirement. This instruction provides guidance on some of the tools available to the contracting officer/buyer in meeting this need.

NAVSUP forms, publications, instructions, SAP and NAVSUP claimancy policy letters are available on the Navy Logistics Library (NLL) located at <http://www.nll.navsup.navy.mil/>.

Standard Forms (SF) and Defense Department (DD) forms referenced in this instruction can be downloaded from the General Services Administration (GSA) website: <http://www.gsa.gov/>.

EBUSOPSOFFINST 4200.1 series and purchase card desk guides are available at the eBusiness Operations website:
<http://www.don-ebusiness.navsup.navy.mil/>.

CHAPTER 1

GENERAL POLICIES

1. Scope. This instruction supplements policies and procedures found in the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS) and Navy Marine Corps Acquisition Regulation Supplement (NMCARS). The instruction is applicable to all DON activities acquiring supplies or services using appropriated funds in which the aggregate amount does not exceed the SAT. SAT means \$100,000 except for acquisition of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack (Pub. L. 108-136, Title XIV, Sec. 1443). The term means:

a. \$250,000 for any contract to be awarded and performed, or purchase to be made inside the Continental United States (CONUS); and

b. \$500,000 for any contract to be awarded and performed, or purchase to be made Outside the Continental United States (OCONUS).

Contracting offices with appropriate delegations of authority may use these procedures up to \$5 million including options when acquiring commercial items using the Commercial Item Test Program and \$10 million for acquisitions of supplies or services that, as determined by the head of the agency, are to be used to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack. Additional simplified acquisition guidance can be found in the EBUSOPSOFFINST 4200.1 series, DON GCPC User Guides, Afloat Purchase Guide for Simplified Acquisitions and Items Requiring Special Attention.

2. Policy

a. It is DON's policy to procure commercial items to the maximum extent practicable (see definition of Commercial Items in Chapter 5). Contracting officers/buyers must evaluate each requirement at or below the SAP threshold to determine if it meets the definition of a commercial supply or service found in FAR Part 2. Generally, all requirements under SAT can be considered commercial unless market research, buyer's knowledge, etc., indicates that the item is not commercial. The contracting officer should proceed to solicit and award SAP requirements using the commercial practices outlined in the FAR. The contracting officer/buyer should document the purchase file with the basis for his/her decision to use the policies and procedures for the acquisition of commercial supplies and services found in FAR Part 12 or FAR Part 13 for non-commercial

supplies and services. In either case, the solicitation and award should reflect the contracting officer's/buyer's written determination of commerciality or non-commerciality. A wire diagram of this process is found at the end of this chapter.

b. It is DON's policy to procure requirements from small business concerns to the maximum extent practicable.

c. It is DON's policy that contracting officers screen all requirements for and purchase where available environmentally preferable products.

d. Simplified acquisitions shall be issued on a firm fixed price basis unless the contracting activity has requested and received approval to use other pricing methods from NAVSUP. All requests must be in writing, approved by the appropriate HCA and document the benefits that will accrue from their use and the controls that will be established to monitor their use.

e. Individual purchase actions processed using SAP may not exceed an activity's specific delegation of procurement authority without prior approval from the cognizant HCA or designee granting procurement authority.

f. Separation of Functions. NMCARS 5203.101-1 provides that controls shall be established at each activity exercising procurement authority to ensure that there is a three-way separation of function to prevent fraud, waste and abuse. Activities shall ensure that the same person does not initiate the requirement, award the purchase action or receive the materials. If local circumstances make the three-way separation impracticable, the activity shall maintain a local instruction explaining the reasons the required separation is impracticable and document the internal controls in-place to offset the risks inherent in allowing one person to perform more than one of these functions. At a minimum, the same individual shall not be responsible for the award and receipt of the material.

g. Splitting. Requirements aggregating more than the SAT (including actions accomplished using the Commercial Item Test Program), more than the micro-purchase threshold or more than the purchase card overseas authority of \$25,000, shall not be broken down (split) into several purchases that are less than the applicable threshold merely to allow the use of SAP, the GCPC or to avoid any requirements that apply to purchases exceeding the micro-purchase threshold.

3. Delegation of Contracting Authority. Individuals delegated contracting authority above the micro-purchase threshold shall be appointed as a contracting officer on an SF 1402, Certificate

of Appointment, per applicable HCA instructions. Individuals limited to using the purchase card to effect micro-purchases may receive their authority in the form of a Letter of Delegation.

4. Training

a. Contracting Officers. Warranted contracting officers in the GS 1105 or GS 1102 series, limited to awarding contracts at or below the SAT, must be Level 1 certified per the Defense Acquisition Workforce Improvement Act (DAWIA). Level 1 training requirements are described on the certification standard checklists that are published in the Defense Acquisition University (DAU) catalog, available online at <http://www.dau.mil/catalog>.

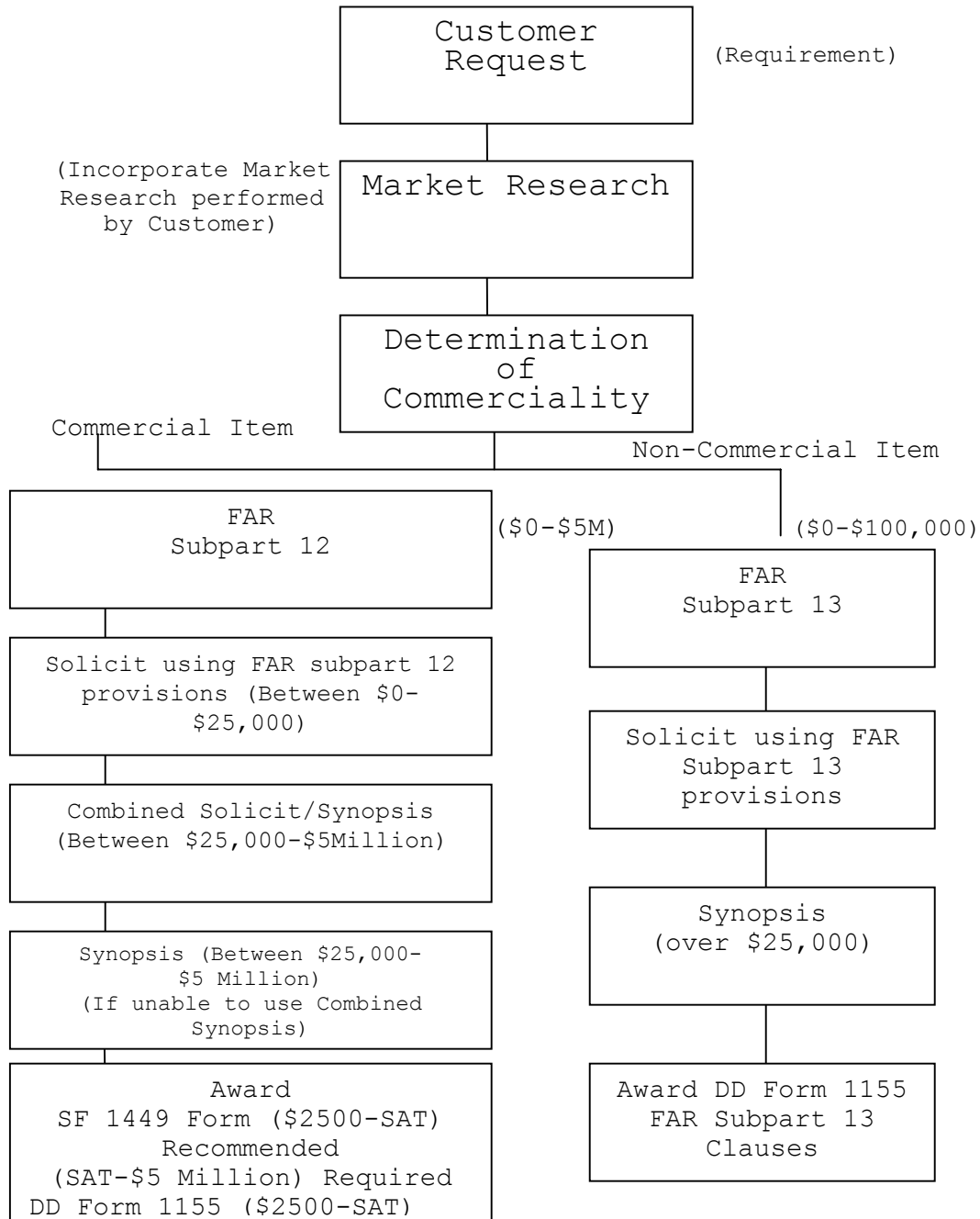
b. Ordering Officer (OO). It is the primary responsibility of the appointing official or the contracting officer who issued the contract to ensure OO has received appropriate training to fulfill their responsibilities. It is recommended that OOs take a contracting course that provides instruction on contracting skill sets (e.g., CON 101 Basics of Contracting, NAVSUP Simplified Acquisition Procedure Course, etc.). In addition, OOs must become fully knowledgeable with ordering procedures delineated in this instruction.

c. Purchase Card. Individuals limited to using the purchase card for micro purchases, oversea purchases up to \$25,000 or as a method of payment shall take purchase card training as provided in the EBUSOPSOFFINST 4200.1 series.

5. Contract Reporting

a. DON will implement use of the Federal Procurement Data System - Next Generation (FPDS-NG) during FY 05. During this interim period, DON will maintain its current reporting processes as much as possible. Contracting offices will report contract actions per FAR 4.6, DFARS 204.6 and DFARS 253.204 as modified by provisional guidance tailored to the interim period (see DASN(ACQ) memo of 13 Aug 04 entitled "TRANSITION TO THE FEDERAL PROCUREMENT DATA SYSTEM - NEXT GENERATION (FPDS-NG)"). Additional guidance will be promulgated by Navy for Acquisition Management (DASN(ACQ)) and NAVSUP as required.

WIRE DIAGRAM



CHAPTER 2

Developing Purchase Requirements

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of simplified acquisitions and managing contracting offices that use SAP.

The first step in the acquisition process is defining the requirement. Defining the requirement is one of the most important steps in the acquisition process. A good-quality description of the requirement enables the contracting officer/buyer to choose the most suitable procurement method to support the customer requirement. The better we describe the requirement in terms the contractor understands, simply and accurately, the better our chances of getting the product or service we want at the price and delivery we need.

1. Scope. This chapter provides information on developing purchase requirements and processing purchase requests through procurement offices.

2. General. DON activities shall develop requirements that promote the acquisition of commercial supplies or services and provide for maximum practicable competition. Once a requirement is established and submitted to a procurement office, DON procurement offices must establish internal operating systems that process customer requirements in an expeditious manner that allows for effective management, control and reporting of the status of the instant requirement as well as current workload status.

3. Developing Requirements. Purchase requirements shall be stated in a way that:

- a. Promotes maximum practicable competition;
- b. Defines requirements in terms of commercial items;
- c. Includes only those restrictive requirements necessary to satisfy the needs of the Government or authorized by law;.
- d. States the requirement in terms of;
 - (1) Function to be performed;
 - (2) Performance required; or
 - (3) Essential characteristics.

4. Purchase Descriptions (Description of Agency Need). One of the most common methods of describing simplified acquisition requirements is a purchase description. An adequate purchase description can be stated in terms of (d) 1-3 above. The purchase description should identify the requirement in terms that enable contractors to offer commercial supplies or services. The description should not be restrictive and not be limited to one product peculiar to a manufacturer (e.g., by manufacturer, brand name and Part Number (p/n)) unless it is essential to the Government's minimum requirement. A purchase description should include the following characteristics based on the requirement to adequately describe the Government's needs:

- a. Common nomenclature (commercial description);
- b. Kind of material (i.e., type, grade, alternatives, etc.);
- c. Electrical data, if any;
- d. Dimensions, size, capacity;
- e. Principles of operation;
- f. Restrictive environmental conditions;
- g. Intended use (i.e., location within assembly, essential operating conditions, etc.);
- h. Equipment with which the item is to be used;
- i. End item application;
- j. Original Equipment Manufacturer's (OEM) part number, if applicable; and
- k. Other pertinent information that further describes the item, material or service required.

5. Military/Federal Specifications MIL/FED). Describing requirements in terms that commercial offerors can recognize and obtaining commercial items is the preferred methodology within the Department of Defense (DOD). MIL/FED specifications should only be used in cases where it is the only way to describe the requested item. However, if the customer describes the item by using a MIL/FED specification, the ordering data contained in paragraph 6.2 of each specification must be included. In addition, when a MIL/FED specification is used, the buyer must verify that the item is not on a Qualified Products List (QPL). If a QPL does apply, award can only be made to a contractor who is listed on the QPL.

6. Brand Name or Equal Descriptions. Generally, the minimum acceptable competitive purchase description is the use of brand name or equal descriptions. Brand name or equal is intended to be descriptive and not restrictive. This type of description should be used to provide the characteristics and the level of quality that will satisfy the Government's minimum need. The brand name or equal description should include a complete common generic description of the item and should reference all known brand name items that satisfy our requirement. The salient physical, functional and other characteristics necessary for the equal products to be considered for award must be clearly identified in the solicitation. Quoters/offerors to be considered for award of equal products must provide a quotation based on a product that will meet the salient physical, functional and other characteristics requested by the Government. The quotation should clearly identify the brand name, make or model number and include any descriptive literature or other information from which the members of the contracting team (buyers, contracting officers, users, requirers) can make a valid decision as to the acceptability of the equal product.

It is the responsibility of the requirer/customer to identify brand name or equal limitations in the basic purchase request. When the contracting officer/buyer agrees to the use of a brand name or equal description, the provision at FAR 52-211-6 must be included in the solicitation.

7. Purchase Request Format. A variety of forms may be utilized as purchase requests to identify requirements to purchase offices, including;

a. Request for Contractual Procurement (RCP) (NAVCOMPT Form 2276);

b. Order for Work and Services (NAVCOMPT Form 2276A);

c. DOD Single Line Item Requisition System Document (manual) (DOD Form 1348), DOD Single Line Item Requisition System Document (manual-long form) (DD 1348-6) or DOD Single Line Item Requisition Document (Mechanical) (DD 1348M); and for afloat units, Non-NSN Requisition (NAVSUP Form 1250-2).

d. Locally approved intra-activity requisition forms may be used provided that they:

(1) are approved by competent authority, (e.g., the activity comptroller, parent command, TYCOM, etc.);

(2) contain all the required information cited in the forms discussed in subparagraphs (a) through (c) above.

e. Military Interdepartmental Purchase Requests (MIPR) (DD Form 448). Originating military departments may use the MIPR to forward a request for contractual action to another military department or Government agency. Field contracting activities responsible for single department procurements may receive requests for purchase action on a MIPR or from Navy activities, on a request for Contractual Procurement (NAVCOMPT Form 2276).

8. Common Elements of a Purchase Request. Regardless of the form or format used, there are several common elements that will be necessary to have sufficient information to successfully complete a purchase. These include, but are not limited to:

a. Document Number. A document number is generally required to adequately track requirements through the financial and acquisition process. The make-up of document numbers may vary depending upon the activity and accounting requirements. A document number is often comprised of the requiring activity Unit Identification Code (UIC), Julian date of the requisition, and serial number. For requests for Contractual Procurement (NAVCOMPT Form 2276) the standard document number prescribed for use of that form is included.

b. Adequate Purchase Description. See #4 above.

c. Quantity and Unit of Issue

(1) The contracting officer will normally purchase the exact amount provided on the purchase request. However, when an increase in quantity discounts or is otherwise advantageous, the contracting officer/buyer may make the adjustment provided the adjustment does not exceed the funding restrictions provided on the purchase request or;

(a) On a case-by-case basis the requirer is contacted for authority and concurs with the recommendation to adjust the requested quantity; or

(b) The requirer has a pre-established written agreement with the purchase office that automatically authorizes the contracting officer to effect changes to the purchase quantity. In all cases where the requirer authorizes the purchase office to affect automatic adjustments in quantity, the purchase request should be annotated with the limits of the authorization.

(2) Contracting officers and buyers can find general tables for units of measure to verify quantities and units of issue on the National Institute of Standards and Technology (NIST) that can be found at <http://www.nist.gov/>.

d. Delivery Information. The customer should provide

adequate information on the purchase request of the required delivery date or period of performance, place of delivery or performance, if partials will be accepted, and a priority designator (if appropriate). The Required Delivery Date (RDD) must be stated as a specific calendar date (Julian dates are acceptable). As Soon As Possible (ASAP) is not an acceptable required delivery date.

e. Unique Requirements. The customer should identify any unique requirements such as packing, marking or transportation requirements including Transportation Account Codes (TAC).

f. Price Estimate. A Government estimate or price estimate and the basis on which it was developed (i.e., prices paid on previous buys for similar items, catalog prices, newspaper advertisements, etc.) should be provided on the purchase request. When applicable the Government estimate should also include labor categories, labor rates, travel costs, etc. that are required to perform the proposed Statement of Work (SOW) or objectives.

g. Funding. Each purchase request must contain adequate funding to support the proposed requirement. An approved line of accounting including appropriation data and an estimated dollar amount from the customer usually provides this. This requirement is necessary unless the purchase request is backed by a document providing bulk funds. (This is used in cases where the requirer provides the purchase office a block grant of money to use to issue a series of orders). The estimated cost shown on the purchase request is the amount that has been committed by the requiring activity to cover the purchase of the requested supplies or services. Responsibility for controlling the obligations of funds is vested exclusively in the allotment holder or designated representative. Consequently, NAVCOMPT Form 2276 contains a certification by the approving signature block stating, "I certify that the funds cited are properly chargeable for the items requested." For any other purchase request/requisition from the person signing/approving the document, the certification is also being made even though it may not be preprinted on the purchase request form itself.

However, this does not relieve the contracting officer of ensuring that all requirements of law, executive order, regulations and all other applicable procedures have been met as required by FAR subpart 1.602-1.

Purchase requests containing restrictions as to availability of cited funds. If the purchase request contains a cut off date for obligation of the cited funds, every effort should be made to schedule procurement actions to meet the established deadline. However, meeting the established deadline does not relieve the contracting officer from compliance with established

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procurement policies including adequate competition and fair and reasonable pricing. Any known or anticipated delay that may prevent the obligation of funds by the deadline date must be timely reported to the requirer. If the proposed purchase price exceeds the monetary ceiling established on the purchase request the contracting office cannot issue a contract award until additional funding is provided. The following methods are approved for providing additional funding:

(1) An increase may be requested and authorized by message when time does not permit the use of an amendment to the purchase request. When NAVCOMPT Form 2276 is used, an increase is processed via an amended NAVCOMPT Form 2276.

(2) Authorization may be obtained by telephone, fax or email but must be documented and confirmed in writing.

(3) Customer activities that place a high volume of purchase actions with their respective purchase officers may establish written agreements to permit contracting officers to exceed the amount committed on an individual purchase request within specific limits.

h. Inspection and Acceptance. Supplies obtained using SAP are normally inspected and accepted at destination. The customer should identify any special inspection and acceptance requirements on the purchase request.

i. Point of Contact (POC). The purchase request should also provide a technical POC (including a phone number or email address) at the requiring activity in case additional information is required.

j. Approvals/Signatures. A purchase request should include all the necessary justifications and signatures approving the requirement. (Some examples of some approvals that should be documented include sole source, Hazardous Material Certification, etc.) In addition, enclosure (2) of this instruction, List of Prohibited and Special Attention Items for Simplified Acquisitions, provides a ready reference for customers and buyers of items DOD/DON has identified that require special attention and approval. The guide is not all inclusive and is not to supplant current legislative and regulatory directives applicable to the supplies or services required.

9. Preference for Government Sources of Supply. FAR Part 8 provides guidance on the mandatory Government sources of supply. (e.g., Federal Prison Industries (FPI) also known as UNICOR, Javits-Wagner-O'Day Act (JWOD) Program, Defense Automated Printing Service (DAPS), Bureau of Mines, etc.) DFARS 208.7003 provides additional guidance on the use of the Integrated

Material Management (IMM) Program. This includes the applicable exceptions for procuring items through the IMM and the documentation required in cases where requirements are not obtained through the IMM Program. Some examples of exceptions would be requirements below the micro-purchase threshold or that local purchase would be more advantageous in terms of price, quality and delivery. Each purchase request should be documented with evidence that the requirement was screened for the mandatory Government sources of supply. The required screening can be accomplished by customer organizations with appropriate screening tools or by the contracting office or officer.

10. Control and Routing of Purchase Requests. Each contracting office/purchase office must establish internal procedures for control and routing of purchase requests. As a minimum, local controls should be in place which provide a means to account for and track the status of purchase requests as they are processed through the purchase office.

11. Plan of Action and Milestones (POA&M) for SAP Requirements. Based on the dollar amount and complexity of the purchase requirement, the contracting officer/buyer can educate the customer on the key time frames for award of the requirement by using a POA&M. We have provided a sample of a POA&M below that can be used to identify the various steps in the procurement process. Examples of some of those milestones could be posting, synopsis, technical review, etc. A sample SAP POA&M can be found on page 2-8 and 2-9.

12. Unique Item Identification (UID). DOD has launched an assets identification program designed to improve both financial and logistics management within the department. This UID program encompasses part marking, configuration control, systems engineering, asset management and asset accountability and valuation. Contractors are required to furnish unique item identifiers or other item identification and to provide the Government's acquisition cost of items that are to be delivered to the department under a DOD contract. Contracting officers/buyers shall include DFARS clause 252.211-7003 Item Identification and Valuation in all solicitations that require delivery of items. Contractors are required to provide UID or a DOD recognized unique identification equivalent for all items delivered with an acquisition cost of \$5,000 or more. Unique identification may be identified in a Contract Data Requirement List (CDRL). Under the clause 252.211-7003, markings of items shall be per MIL-STD 130L, Identification Marking of U.S. Military Property.

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SAP
PLAN OF ACTION AND MILESTONES (POA&M)

Requisition Number: _____ Estimated Quantity:_____

Estimated Dollar Amount: _____ Required Delivery Date (RDD) _____

Item Description: _____

MARKET RESEARCH CONDUCTED <i>Circle all that apply</i>	SMALL BUSINESS SET-ASIDE: <i>Circle all that apply</i>
Internet queries	8A Award
Trade magazines, catalogs, etc.	Very Small Business
Previous award history	Total Small Business
Other (identify below): _____ _____ _____	Set-Aside
	HUBZONE
	Options? Yes or No

Please circle or check all that apply

Approvals:

- Hazmin
- IT
- Safety
- Items Requiring Special Attention

Evaluation Factors Used:

- Quality
 - Delivery
 - Past Performance
 - Personnel
- (example: qualifications)

Solicitation Plan:

Was the Solicitation Oral or Written?

Was the solicitation under \$25,000?

_____ Yes _____ No _____

Synopsis placed to the GPE (FEDBIZOPS)?

_____ Yes _____ No _____

Date placed to GPE? _____

Posted to Navy Electronic Commerce On-line (NECO)?

_____ Yes _____ No

Date posted to NECO: _____

Was an RFQ Issued?

_____ Yes _____ No _____

RFQ issued was

_____ Oral _____ Written

Date RFQ was issued? _____

RFQ Closing Date? _____

Evaluation of Quotations: Number of Offerors? _____

Anticipated Award Date? _____

CHAPTER 3

MARKET RESEARCH

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that use SAP.

The second step in the acquisition process is performing market research. This step can aid both the requirer and the contracting officer/buyer in determining if a supply or service meeting the definition of a commercial item is available. This will allow us to leverage the benefits of the commercial acquisition practices found in Chapter 7. (Guidance on soliciting quotations for commercial items can be found later in this chapter.) In addition, we can determine if there are any unique commercial practices we need to consider in the course of the acquisition. Market research can assist us in better defining or redefining our requirement and provide insight into the commercial practices of the marketplace.

1. Scope. This chapter will provide information and guidance on performing market research.
2. General. Market research is the continuous process of collecting and analyzing information about the capabilities within the marketplace to satisfy current and future requirements. Market research is conducted to determine if commercial items or non-developmental items are available to meet the Government's needs. The primary purpose of conducting market research is to assist all the members of the acquisition team in making better acquisition decisions. The extent of the market research will vary depending on such factors as urgency, estimated dollar value, complexity and our past experience with the item.
3. Policy. Market research is not required for requirements under SAT. However, contracting officers/buyers using SAP should perform market research to the maximum extent practicable to identify commercial supplies and services available in the marketplace. Often the end user or other technical personnel perform basic market research related to product characteristics and capability. The contracting officer/buyer should build on this knowledge by performing market research devoted to the capability of the market and identifying any unique commercial terms in the marketplace.

Market research can provide information on the availability of commercial items in the marketplace, information on who

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manufactures or sells the item including business size, foreign or domestic sources or the number of sources available.

4. Market Research Tools. In general, depending on the dollar value and complexity of the requirement, market research for simplified acquisitions can be accomplished using information on hand within the purchase office. However, the following are some generally available methods to accomplish market research.

a. Copies of previous purchases of the same or similar requirements.

b. Catalogs, trade magazines, advertisements.

c. Thomas Register (<http://www.thomasregister.com/>), The Yellow Pages.

d. Contractor line cards, flyers.

e. Government sources of supply.

f. Telephone research with potential offerors.

g. Federal Logistics Record (FEDLOG).

h. The Internet. Query the government-wide database of contracts and other procurement instruments intended for use by multiple agencies at <http://www.contractdirectory.gov/>.

5. Source Lists. Contracting offices may maintain a source list (or lists if more convenient) of possible vendors by product or commodity and record on the list file status of each source (when available) in the following categories:

a. Small business;

b. Small disadvantaged business; and

c. Women-owned business.

The status information may be used to ensure that small business concerns are given opportunities to respond to solicitations. New sources disclosed by customers, the activity's small business specialist, responses to solicitations, etc., should be reviewed and added to the source list.

An alternative to maintaining a source list is the use of the Central Contractor Registration (CCR) Internet website at <http://www.ccr.gov/> and click on the "Dynamic Small Business Search" button which provides up-to-date information on small, small disadvantaged and women owned businesses. In addition, digital Small and Disadvantaged Business Utilization (SADBU) is

now available to assist contracting offices and officers locate potential sources. It can be found at <http://wcpa-sadbu.hq.navy.mil>.

6. Market Research over the Internet. One of the richest sources of market research information is the Internet. Trade, professional organizations and corporations have homepages on the Internet. This allows the contracting officer/buyer to conduct their market research directly from their desktop. Common search engines include Netscape, Excite, Infoseek, Lycos, Alta Vista, Google and LookSmart. Generally, these search engines provide on-line tutorials and search techniques.

a. Search Tips. Choose search engine by functionality, check the spelling of your word string (i.e., propane driven forklifts, use query operators (symbols) to refine search. For example, put word or phrase in quotes, use a word string (e.g., great+barrier+reef), use (T)=and) or (-)=not), T:Will only look as part of a title or U: (URL) Look there.

b. Sources. Some effective market research sources:

(1) <http://www.gsa.gov>. General Services Administration (GSA),

(2) <http://www.sbaonline.sba.gov>. Small Business Administration (SBA) Homepage,

(3) <http://www.dsp.dla.mil>. The Defense Standardization Program,

(4) <http://www3.gartner.com>. Information Technology (IT) data,

(5) <http://www.thomasregister.com/>. The Thomas Registry,

(6) <https://emall.prod.dodonline.net/scripts/emLogon.asp>. DOD EMALL,

(7) <http://contractdirectory.gov>. Multi agency contracts, and

(8) <http://www.itec-direct.navy.mil>. IT contracts and BPAs.

7. Internet Security. When performing market researches over the Internet, the contracting officer/buyer must ensure that appropriate safeguarding measures are taken to prevent compromising their information system security. Contracting officers/buyers should consider using a browser with an

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automatic encryption capability (e.g., MS IE 4.X or NETSCAPE 4.X).

8. Documentation Requirements. Contracting officers/buyers should document their research in a manner appropriate to the complexity and dollar value of the procurement. The purchase file should be organized and document all of the market research actions taken. Documentation of market research should focus on the decisions that will result from the market research, (i.e., determination of commerciality, sole source justification, determination of price reasonableness, etc.).

CHAPTER 4

REQUIRED SOURCES OF SUPPLY

Defining the Requirement, Performing Market Research, Screening Requirements (Required Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that use SAP.

The next step in the acquisition process is screening requirements for their availability from the mandatory Government Sources of Supply. Many of these sources are statutory and required for use by DON contracting officers/buyers. Many of the sources of supply offer the contracting officer/buyer easy access to a wide range of supplies and services for which contracting vehicles have been established and provide simple ordering procedures to easily procure the customer's requirements.

1. Scope. This chapter will discuss the various sources of supply that should be considered prior to making a purchase using SAP. These include purchases from government sources of supply, including FPI (UNICOR), nonprofit agencies employing people who are blind or severely disabled under the JWOD Program (National Industry of the Blind (NIB/NISH) or with contractor awarded contracts by GSA. The use of firm fixed priced delivery/task orders against Indefinite Delivery Order Contracts (IDTC's) will also be discussed. In addition, contracting offices and ordering officers should be aware of the DOD EMALL and screen requirements for their availability from that electronic source. The DOD EMALL is a single entry point for buyers to find and acquire commercial off-the-shelf goods from commercial suppliers and government sources. The Parts and Supplies Corridor provides access to National Stock Number (NSN) items from the Defense Logistics Agency (DLA) inventories and NSNs from GSA. The DOD EMALL fully supports JWOD programs and identifies goods from mandatory sources. Customers can also identify "green" qualified environmentally friendly items and certified NSN equivalent items. DOD EMALL is an Internet based option for purchasers to obtain supplies, parts and commercial IT products using the Government Purchase Card.

DOD EMALL is found at <http://www.emall.dla.mil>.

2. Federal Prison Industries, Inc (FPI) (FAR 8.6 and DFARS 208.6). FPI (UNICOR) is a self-supporting, wholly owned Government corporation of the District of Columbia.

a. Agencies shall purchase required supplies of the classes listed in the Schedule of Products made in federal penal and

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correctional institutions at prices not to exceed current market prices using procedures established in FAR subpart 8.604. Supplies manufactured by FPI are in strict conformity with federal specifications.

b. Copies of the Schedule are available from Federal Prison Industries, Inc., Department of Justice, Washington, DC 20534 or on-line at <http://www.unicor.gov/>.

c. Before purchasing a product listed in the FPI Schedule, DOD departments and agencies shall conduct market research to determine whether the FPI product is comparable to products available from the private sector that best meet the Government's needs in terms of price, quality and time of delivery (10 U.S.C. 2410n). Market research results must be documented in writing. This is a unilateral decision made solely at the discretion of the department or agency. Market research is not required if the purchase will be from a source other than FPI based on an exception listed in FAR 8.606. Based on the results of the market research, if the product is comparable the department or agency shall purchase the FPI product per FAR subpart 8.602(a). If the market research indicates that the FPI product is not comparable in terms of price, quality and delivery, the department or agency shall use competitive procedures to acquire the product and consider a timely offer from FPI for award per the specification and evaluation factors identified in the solicitation.

d. Clearance is required from FPI before supplies found on the FPI Schedule of Products are acquired where the FPI product is comparable in terms of price, quality and delivery and the contracting officer is considering purchasing from other sources except when the conditions provided in FAR subpart 8.606 and DFARS 208.606 and listed below apply:

(1) Public exigency requires immediate delivery or performance;

(2) Suitable used or excess supplies are available;

(3) Purchases are made from GSA of less-than-carload lots of common-use items stocked by GSA (See Schedule A of the Schedule);

(4) The supplies are acquired and used outside the United States;

(5) Orders are for listed items totaling \$2,500 or less; and

(6) If market research indicates that the FPI product is not comparable to products available from the private sector

that best meet the Government's needs in terms of price, quality and time of delivery.

e. Items listed in FPI Schedule of Products are normally ordered using DD 1155. However, FPI also offers a Quick Ship/Credit Card Program for expedited delivery.

3. Nonprofit Agencies Employing People Who Are Blind or Severely Disabled under the JWOD Program. JWOD is a program to provide commonly used supplies and services from nonprofit organizations employing blind or other severely disabled persons. The JWOD Program is codified at Parts 1 and 5 of Chapter 51, Title 41, Code of Federal Regulations. It is DON's policy to support to the maximum extent practicable the use of JWOD supplies and services for purchase requirements. Accordingly, contracting officers/buyers should be aware of the supplies and services available through the JWOD program and recommend their use when these products meet the requirements of products identified for acquisition. The JWOD Procurement List is a list of supplies and services available from JWOD organizations. The list can be obtained over the Internet at <http://www.jwod.gov>.

a. Ordering offices must obtain supplies on the JWOD Procurement List from the central nonprofit agency or its designated participating JWOD nonprofit agency. Ordering offices should consult the JWOD website provided above to obtain ordering information.

b. Supplies identified on the JWOD Procurement List as available from DLA, GSA, or the Veterans Administration (VA) supply distribution facilities can be obtained through those procedures in lieu of the JWOD Program. If one of the distribution facilities cannot provide the supplies, it will inform the ordering office which can then order from the nonprofit agency designated by the committee.

4. Federal Supply Schedules (FSS) (FAR 8.4 and DFARS 208.4) GSA has established contracts with commercial firms to provide supplies and services at stated prices for given periods of time. This provides ordering activities with a simplified process for obtaining commonly used supplies and services at prices associated with volume buying. To determine if an item is available on a FSS contract consult the FSS Program Guide. Items are listed alphabetically, giving Federal Supply Contract (FSC), part and section of the schedule in which they are found. When placing orders under a FSS contract, ordering activities need not seek further competition, synopses the requirement or make a separate determination of fair and reasonable pricing. Information regarding GSA programs can be found at <http://www.gsa.gov/>. Contracting officers/buyers can also obtain GSA Schedule information on-line at that same website by

clicking on e-library.

a. Preferred Source. GSA has established FSS for use by federal agencies. The majority of those contracts are optional for use by DOD. DON activities should attempt to make maximum use of the schedules. Contracting officers are encouraged to negotiate discounts off of the published schedule prices based on comparisons to other vendor prices, quantity discounts, etc. In addition, if in the contracting officer's judgment, introduction of competition from nonscheduled sources would be in the best interest of the Government in terms of price, delivery or quality, nonschedule alternatives should be utilized. Many contracting offices and contracting officers have delegations of authority which differentiate between contracting authority for Government sources of supply (i.e., GSA Schedule, FPI, etc.) and awards where a PO or BPA call would be issued. It is important to remember that if the contracting officer elects to make an award to a contractor who does not have a GSA Schedule, purchasing activities may not exceed their specific delegation of authority for nonschedule awards.

b. Single Award Schedule. Single award schedules are those schedules in which only one contractor is listed on the schedule to provide those specific supplies. The list of supplies and services in each schedule contains the items or services available from that schedule. They are listed by Index Numbers in numeric order and identified by Special Item Numbers (SINs) or NSNs and by noun names and descriptions. Ordering offices should also check schedule provisions such as expiration date, delivery schedule and transportation terms and price for your geographic area.

c. Multiple Award (MAS) FSS. Multiple award schedules are GSA FSS contract schedules in which there are several vendors in any given commodity who offer the same or similar supplies. It is the task of the ordering officer to review and compare the various supplies offered on the schedule and determine which make or model offers the best value to the Government cost and other factors considered.

(1) Ordering activities can place orders at or below the micro-purchase threshold with any FSS contractor.

(2) Orders exceeding the micro-purchase threshold - Ordering activities should ensure that awards over the micro-purchase threshold under MAS represent the best value and meet the Government's needs at the lowest overall cost (the price of the item plus administrative costs). To accomplish this, an ordering activity should:

(a) Consider reasonable available information about

products offered under MAS contracts by utilizing GSA Advantage, the on-line shopping service or by reviewing the catalogs/price lists of at least three schedule contractors and selecting the delivery and other options available under the schedule that meets the government's needs. In selecting the supply or service representing the best value the contracting officer/buyer may consider the following factors:

1. Special features (salient characteristics) of the supply or service required for effective program performance;

2. Trade-in considerations;

3. Probable life of the item selected as compared with a comparable item;

4. Warranty provisions;

5. Maintenance availability;

6. Past performance; and

7. Environmental and energy efficiency considerations.

d. File Documentation. File documentation for orders at or below the micro-purchase threshold, at a minimum, contain the contractor's name and address, contract number, the item purchased, the amount paid and contractor delivery and payment terms. Orders over the micro-purchase threshold, as a minimum, should contain the same information for each contractor reviewed. Additional supporting file documentation should be provided if the contracting officer/buyer selects a schedule contractor on a basis of other than price. The contracting officer/ordering officer should document the file with the basis by which they determined the proposed delivery order offers the "Best Value" to the Government price and other factors considered as compared to other schedule holders or alternatives.

e. Placing Orders For Services Exceeding \$100,000. Orders for services exceeding \$100,000 shall be placed on a competitive basis per paragraphs (1) through (4) below, unless the contracting officer waives this requirements on the basis of a written determination that one of the circumstances described in FAR 16.505(b)(2)(i) through (iii) applies or a statute expressly authorizes or requires that the purchase be made from a specific source.

(1) An order for services exceeding \$100,000 is placed on a competitive basis only if the contracting officer provides

a fair notice of the intent to make the purchase, including a description of the work the contractor shall perform and the basis upon which the contracting officer will make the selection, to as many schedule contractors as practical, consistent with market research appropriate to the circumstances, to reasonably ensure that offers will be received from at least three contractors that can fulfill the work requirements. At least one of the FSS contractors given fair notice of intent to purchase services must be a small business, provided that there is a small business contractor on the Schedule that offers the required services.

(2) If offers are not received from at least three contractors that can fulfill the work requirements, the contracting officer must make a written determination that no additional contractors that can fulfill the work requirements could be identified despite reasonable efforts to do so (file documentation should clearly explain efforts made to obtain offers from at least three contractors).

(3) The contracting officer must ensure all offers received are fairly considered.

(4) A fair notice of intent to make the purchase may also be provided to all contractors offering the required services under the applicable multiple award schedule. The contracting officer will afford all contractors responding to the notice a fair opportunity to submit an offer and have that offer fairly considered. Posting of a request for quotations on the GSA electronic quote system "e-Buy" (<http://www.gsa.advantage.gov>) is one medium for providing fair notice to all contractors as required.

f. Foreign Acquisitions. When a schedule lists both foreign and domestic items that will meet the ordering office's needs and is over the micro-purchase threshold, the ordering office must apply the evaluation procedures of the Buy American Act.

g. Delivery/Task Orders

(1) Written orders may be placed on Standard Form (SF) 1449, Solicitation/Contract/Order for Commercial Items or on the DD 1155, Order for Supplies or Services. Block by block instructions for DD 1155 are found at the end of this chapter. However, as discussed in subparagraph d(4) below, other methods may be authorized.

(2) Combining FSS and Open Market Purchases. Items contained on FSS may be combined with nonschedule items provided the schedule allows you to combine the two and a delivery/task order is the document issued. Each item ordered

must be identified as open market or FSS contract schedule order. The open market portion of the order may not exceed the SAT (\$5 million dollars for the acquisition of commercial items) or your specific delegation of authority, whichever is less and must be issued per the terms and conditions of the schedule. Additionally, all applicable competitive purchase procedures must be followed for the nonscheduled items. (i.e., competition, synopsis, sole source, etc.). In addition, the required FAR Part 12 or Part 13 clauses should be included in the order and identified as only being applicable to those nonschedule Contract Line Item Numbers (CLINS).

(3) Oral orders. Oral orders may be issued against GSA Schedule contracts if authorized in the basic contract, procedures for proper obligation of funds are in place, invoicing procedures are agreed upon and the contractor agrees to furnish a delivery ticket for each shipment under the order (in the number of copies required by the ordering office). The ticket must include the contract number; order number under the contract; date of order; name and title of person placing the order; itemized listing of supplies or services furnished; and date of delivery or shipment. Ordering offices must ensure that all oral orders are issued per the terms and conditions of the basic contract. Oral orders may not exceed the amount authorized for this procedure in the contract. Oral orders may be placed up to the Maximum Order Limitation (MOL) of the contract if authorized in the contract. The contracting/ordering officer must ensure that the correct Procurement Instrument Identification Number (PIIN) identifying the action as a delivery/task order is assigned and the action is reported on DDs 1057 or 350 as applicable.

(4) Ordering offices may use the methods in FAR Part 13 (i.e., BPA, GCPC, Imprest Fund) when placing orders against FSS contracts if their use is authorized by the basic contract. BPA calls may be issued to the MOL and the GCPC may be used as a payment method to the SAT per the terms and conditions of the contract. Contracting officer appointments (SF 1402) should address these methods and associated dollar limitations against FSS contracts.

h. Inspection and Acceptance. Inspection and acceptance of supplies will be at destination except when the schedule provides for source inspection.

i. Administration of Delivery Orders. The ordering activity is responsible for administration of delivery orders including:

(1) Delinquent Performance. When the contractor fails to perform, the ordering office may terminate the order for default or give the contractor further opportunity to perform by

modifying the order to establish a new delivery date.

(2) Termination for Cause. When a FSS contractor fails to meet the conditions of a delivery/task order which has been properly placed under the contract, the order may be terminated for default. However, it should be clear that such action would be in the Government's best interest. The contracting officer should consult with legal counsel prior to terminating. In addition, the GSA contracting officer shall be notified when an ordering activity has declared a FSS contractor in default. Assistance is available from the cognizant HCA PPMAP team office or detachment.

(3) Termination for Convenience. Ordering offices may terminate individual orders for the convenience of the Government; however, before taking such action, the ordering office should endeavor to enter into a no cost cancellation agreement with the contractor.

5. Indefinite Delivery Type Contracts (IDTCs). IDTCs are preferred sources of supply. Contracting officers and buyers should screen local contracts, including prime vendor contracts, multiple award contracts and other command and agency contracts to attempt to fill their customer requirements. Generally, IDTCs are awarded for required supplies and services when exact needs cannot be determined at the time of contract award. IDTCs allow contracting/ordering officers to place individual delivery or task orders as needs are determined. IDTCs are established when a future need for supplies and services is known; but the exact times and/or quantities of future deliveries may not be known at the time of contract award. This paragraph provides guidance on the use of firm fixed priced delivery and task orders against IDTCs. Firm fixed price orders are normally placed against IDTCs for supplies or services, GSA schedules or directly with Government agencies such as FPI and nonprofit agencies employing people who are blind or severely disabled. This paragraph will not provide guidance on the use of delivery orders that have cost-reimbursement features.

a. IDTC Contract Types. Under an IDTC three contract types exist:

(1) Definite Quantity - in which a known quantity exists, yet the delivery schedule is unknown;

(2) Indefinite Quantity - in which the quantity and delivery schedules are unknown and the IDTC promises a minimum quantity to the contractor; and

(3) Requirements - guarantees that all requirements for

contract line items will be ordered from the contractor that awarded the IDTC.

b. Advantages. When issuing delivery/task orders against IDTCs, the contracting/ordering officer does not need to seek competition, synopsise the action, negotiate terms and conditions or prices or make a written determination of price reasonableness.

c. The Basic Contract. Contracting/ordering officers should have access to the IDTC and be aware of applicable terms and conditions of the contract. Delivery/task orders must be issued per the basic contract and cannot state different line items, contract prices, etc. Of particular importance are:

(1) Authorized Ordering Activities. An activity must be listed as an authorized ordering activity in the IDTC before placing delivery/task orders;

(2) Contract line items, unit prices and unit of issue;

(3) The basic contract price and any option period prices;

(4) Minimum and maximum order quantities; and

(5) Delivery locations and time frames.

d. Issuance of Delivery/Task Orders. Delivery/task orders may be issued on the SF 1449, Solicitation/Contract/Order for Commercial Items or on the DD 1155, Order for Supplies or Services. Since all the basic terms and conditions are included in the basic contract, it is usually necessary only to include such things as the CLIN and description, unit of issue, quantity and unit and total prices, delivery or performance date and place of delivery or performance.

e. GCPC. The GCPC may be used to pay for orders under IDTC when authorized in the basic contract.

f. Oral Orders. Oral orders may be issued against an IDTC if authorized in the basic contract. If payment will be made by GCPC, issuance of a confirming written order is not required. The cardholder must ensure that the information required by FAR 16.505 (a)(6) is documented in the purchase file or on the GCPC purchase log/IDTC delivery order/task order log. If payment will not be made by GCPC, oral orders must be confirmed in writing. The basic contract will provide instruction on ordering and confirmation procedures.

g. Delivery/Task Order Log. An order log should be

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maintained for each IDTC in which orders are being placed. At a minimum, the log should include the delivery order number, requisition/purchase request number, the dollar amount of the order and a running total of funds obligated under the IDTC. A sample of a delivery/task order log will be provided at the end of this chapter.

BLOCK NO.	DD FORM 1155 - DELIVERY/TASK ORDER BLOCK TITLES AND DATA ENTRY INFORMATION
1	CONTRACT/PURCHASE ORDER NO. -- For delivery orders against a GSA contract, enter the contract number listed in the GSA contract/schedule (i.e., GS-00F-23456). For delivery/task orders against an IDTC, enter the 13-digit contract number from the basic contract (i.e., N00023-96-D-0001).
2	DELIVERY/TASK ORDER NO. -- Enter the order number as shown below. For orders against a GSA contract, the number will be a 13 digit number starting with the activity's UIC, the fiscal year in which the order is placed, the letter "F" to signify a delivery order against another agencies contract and a four digit serial number (i.e., N00023-96-F-0001). For orders against an IDTC, issued by the activity that awarded the IDTC, the number will be sequentially numbered with a four-digit number - 0001 through 9999. For orders issued by another activity, the four-digit number will begin with the call/order number identifier assigned to that activity in DFARS Appendix G (i.e., H901 through H999).
3	DATE OF ORDER -- Enter the two position numeric year, three position alpha month, and two position numeric day (i.e., 95 Oct 01).
4	REQUISITION/PURCH REQUEST NO. -- Enter the requisition number that appears on the purchase request. If more than one requisition applies to the order, enter "See Schedule" and list each requisition with the item's description.
5	PRIORITY -- Leave Blank.
6	ISSUED BY -- Enter the name and mailing address of the activity. In the code block, enter the DODAAD code (e.g., N00123). Directly below the address enter: Buyer/Phone: followed by the buyer's name and phone number.
7	ADMINISTERED BY -- This block will generally be blank in GSA contract orders, as the activity issuing the order and identified in Block 6 will normally retain administration. For IDTCs enter the office assigned administration of the delivery order.
8	DELIVERY FOB -- Check the applicable block.
9	CONTRACTOR -- Enter the full business name and address of the contractor as shown in the contract. Ensure any remittance address authorized in the contract is shown in block 19.
10	DELIVER TO FOB POINT BY (Date) -- If a single date of delivery applies to the entire order, DELIVER TO FOB POINT BY (DATE)

BLOCK NO.	DD FORM 1155 - DELIVERY/TASK ORDER BLOCK TITLES AND DATA ENTRY INFORMATION
	If a single date of delivery applies to the entire order date in this block in the same format as used in block 3. If more than one date applies, enter "See Schedule" and list delivery dates in the schedule.
11	MARK IF BUSINESS -- Enter business size, if applicable.
12	DISCOUNT TERMS -- If applicable, enter the discount for prompt payment provided in the basic contract.
13	MAIL INVOICES TO -- Enter the reference to the block number containing the address to which invoices should be mailed or delivered. When not in Blocks 6, 7, 14, or 15, insert "See Schedule" and enter the invoicing address in the schedule.
14	SHIP TO -- Enter the name of the activity and the delivery address.
15	PAYMENT WILL BE MADE BY -- Enter the name and address of the activity making payment. Enter in the Code block, the DODAAD code of the paying office.
16	TYPE OF ORDER -- Check the Delivery/Task Order box.
17	ACCOUNTING AND APPROPRIATION DATA/LOCAL USE -- Enter the accounting classification and the accounting classification reference number (ACRN) from the purchase request. If there is more than one line of accounting, enter "See Schedule" and enter line of accounting for each item or ACRN in the schedule.
18	ITEM NO. -- For delivery orders against GSA contracts, number each item sequentially, i.e., 0001, 0002, etc. For orders against an IDTC, enter the contract line item number (CLIN) for the required item from the basic contract.
19	SCHEDULE OF SUPPLIES/SERVICES -- The schedule should contain the following information, if applicable: (1) If the DD1155 is confirming an oral order, enter "CONFIRMING ORDER -- DO NOT DUPLICATE" before any item's description is listed. (2) Item Identification (i.e., purchase description). (3) Quantity Variance allowed if ar NAVSUPINST 4200.85D (4) Inspection/Acceptance point if the contract authorizes other than destination. (5) Other pertinent data; e.g., delivery instructions or receiving hours and size-of-truck limitations.
20	QUANTITY ORDERED/ACCEPTED -- Enter the total quantity ordered for the line item.
21	UNIT -- Enter the unit of measure applicable to the line item. If

BLOCK NO.	DD FORM 1155 - DELIVERY/TASK ORDER BLOCK TITLES AND DATA ENTRY INFORMATION
	unit vague (e.g., box), define the unit in the items description.
22	UNIT PRICE -- Enter the unit price applicable to the line item.
23	AMOUNT -- Enter the extended dollar amount (quantity x unit price) for each line item.
24	CONTRACTING/ORDERING OFFICER -- Enter the contracting officer's signature. No one may sign the order "For" or "By Direction." Only an appointed contracting/ordering officer acting within his/her delegated authority may sign the DD Form 1155.
25	TOTAL AMOUNT -- Enter the total dollar amount for all line items on the order.
26 THRU 42	These blocks are used in the receiving and paying functions. Copies of the DD Form 1155 should be forwarded to/be available for the receivers and paying office for their use, as applicable.

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Indefinite Delivery Type Contract Order Log

D.O./MOD Number	Delivery Date:	Total Price \$:		Ending Balance:

CHAPTER 5

SOLICITATION PROCEDURES FOR REQUIREMENTS EXCEEDING THE MICRO-PURCHASE THRESHOLD

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that use SAP.

We are now in the step in the acquisition process in which we are going to formally solicit quotations from vendors in the marketplace. The solicitation step in the acquisition process is important because it defines the contractors that we solicit, how we solicit and the factors that impact on who we can buy from (i.e., small business requirements, foreign acquisition restrictions, etc.). This chapter will discuss the procedures available for contracting officers/buyers to use to identify DON requirements to vendors and suppliers in the marketplace.

1. Scope. This chapter provides procedures that may be followed when soliciting quotations for the purchase of supplies or services at any dollar value but in particular those requirements with an anticipated value exceeding the micro-purchase threshold. The micro-purchase threshold means \$2,500, except it means:

a. \$2,000 for construction subject to the Davis-Bacon Act; and

b. \$15,000 for acquisition of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack as prescribed in FAR 13.201(g) (1), except for construction subject to the Davis-Bacon Act (Pub. L. 108-136, Sec.1443). These procedures apply to the acquisition of both commercial and noncommercial items. Chapter 7 of this instruction provides additional guidance on the acquisition of commercial items.

2. Solicitation Considerations/Requirements

a. Micro-purchases

(1) Oral Solicitations. Quotations for requirements not exceeding the micro-purchase threshold should be solicited orally to the maximum extent practicable. Soliciting a quotation over the phone is quicker, requires less paperwork, and is therefore administratively less expensive than a written

solicitation. When soliciting a quotation over the phone, the contracting officer/buyer should ask to speak to the Government sales representative. The contracting officer/buyer should completely describe the requirement and ask the sales representative to provide a quotation which includes the following information; manufacturer's name, model number, part number, and/or catalog number, unit and extended price, delivery date, transportation terms, prompt payment discounts; etc. (See the paragraph entitled Record of Solicitation for a more detailed list of the information the quoter may be asked to provide).

If the sales representative cannot provide an immediate quotation, the buyer should provide a cut-off date for receiving the quotations. Contractors should be allowed a reasonable period of time to respond.

(2) Written Solicitations

(a) Written solicitations are generally not required for micro-purchases and should only be issued when obtaining oral quotations are considered impractical. When determined appropriate, a written solicitation may be issued using the Standard Form 18 (SF 18), Request for Quotations, the Standard Form 1449 (SF 1449), Solicitation/Contract/Order for Commercial Items or by an approved automated format (i.e., NECO) such as an electronic bulletin board or official DON letters or naval messages. Written solicitations should be numbered as prescribed by DFARS 204.70 with the letter "Q" in the ninth position (e.g., N00123-99-Q-1234).

(b) Provisions are generally not required in solicitations for micro-purchases; however, this does not prohibit the use of provisions in the solicitation or clauses in the eventual purchase order when determined necessary by the buyer or contracting officer.

(c) If the purchase card is not used to either procure or pay for a requirement at the micro-purchase threshold or less, a written determination by a member of the Senior Executive Service (SES), flag or general officer must be obtained prior to awarding the purchase action. This determination may be redelegated to the senior local commander or director.

b. Competition Requirements for Actions over the Micro-Purchase Threshold

(1) The contracting officer/buyer must solicit a reasonable number of quotes from qualified suppliers to promote competition to the maximum extent practicable. In general, at least three quotations should be solicited from responsible,

qualified suppliers who independently contend for an order and can satisfy the Navy's requirements in order for the competition to be considered adequate. If practicable, two sources not included in the previous solicitation should be requested to furnish quotations. However, all qualified sources must, upon request, be allowed to submit a quotation if the quote is submitted in a timely fashion.

Obtaining competition is not required for purchase requirements accomplished when the award is issued under the Small Business Administration 8(a) Program.

(2) The following are some of the factors that may influence the number of quotations that reasonably should be solicited in connection with any particular purchase requirement;

(a) The nature of the supplies or services to be purchased whether it is highly competitive or is relatively noncompetitive;

(b) The urgency of the proposed purchase;

(c) The dollar value of the proposed purchase; and

(d) The inquiries received from potential quoters in response to a public posting, posting via Navy Electronic Commerce Online (NECO) or a synopsis posted to the Government Point of Entry (GPE) FEDBIZOPPS.

(3) One of the most important elements in obtaining effective price competition is an adequate purchase description (See Chapter 2). The purchase description should describe the supplies and services in a manner that encourages suppliers to provide commercial items, promote maximum competition and eliminate restrictive features which limit acceptable quotes to one contractor's product or service.

(4) The receipt of more than one quotation will not necessarily be an indication that adequate/effective price competition has been obtained. The contracting officer/buyer must evaluate the quotations as explained in Chapter 6, Evaluation Procedures for Requirements Exceeding the Micro-purchase Threshold, to determine if competition has resulted in a fair and reasonable price. Wide variations in prices may be an indication that a vendor does not understand the requirement or that a vendor is trying to buy-in to the procurement. The contracting officer/buyer must explain wide discrepancies in quoted prices in determining the prices fair and reasonable.

(5) The contracting officer may restrict the solicitation to one source or to only one brand name if he/she

issues a written determination commonly referred to as a sole source justification that only one source or product is reasonably available to meet the Navy's requirements. The determination must be based on an acceptable sole source justification provided by the customer, explaining the uniqueness of the product or service required and why the requested supply or service is the only one that will meet the Government's needs. The customer provided justification should fully explain the characteristics of the product or service. Statements such as, only known source, only source that can meet required delivery date etc., are not adequate justifications for soliciting a requirement on a noncompetitive basis. An adequate/effective sole source justification should offer an analysis of the requirement, the marketplace it is found and the reason the product or service is the only one that will meet the Government's needs. See Sample Justification for Sole Source at the end of this chapter.

c. Small Business Considerations

(1) General. The contracting officer must, to the extent practicable, encourage maximum participation by small business, veteran-owned small business, service-disabled veteran-owned small business, HUB Zone small business, small disadvantaged business and women-owned small business concerns in acquisitions. All acquisitions of supplies or services with an anticipated dollar value exceeding the micro-purchase threshold, but not over SAT, are automatically reserved exclusively for small business concerns. Requirements shall be set aside for small business unless the contracting officer determines there is no reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality and delivery.

If the contracting officer does not proceed with the total small business set-aside and solicits the requirement on an unrestricted basis, the contracting officer shall include in the contract file the reason for this unrestricted purchase. This determination can be accomplished on a Total Small Business Set-Aside Form if the value is less than \$10,000 (a sample can be found at the end of this chapter) or if the value exceeds \$10,000 the determination shall be documented using DD 2579 (a sample can be found at the end of this chapter). This applies only to requirements processed inside the United States, its territories and possessions, Puerto Rico, the Trust Territory of the Pacific Islands and the District of Columbia. The FAR (Part 19), DFARS (Part 219) and NMCARS (5219) provide specific policies and procedures regarding small business programs. The three set-aside procedures included in the regulations that apply to SAP are (in order of consideration) requirements awarded under the 8(a) program, Very Small Business

Set-asides and Total Small Business Set-asides. In addition, acquisitions exceeding the micro-purchase threshold may be set-aside for service-disabled veteran-owned small business concerns (see chapter 7C).

(2) Definitions

(a) Small Business Concern. A concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts and qualified as a small business under the criteria and size standards in FAR subpart 19.102. To be eligible for award as a small business, an offeror must represent in good faith that it is a small business at the time of its written representation. An offeror may represent that it is a small business concern in connection with a specific solicitation if it meets the definition of a small business concern applicable to the solicitation and has not been determined by the Small Business Administration (SBA) to be other than a small business.

(b) 8(a) Small Business Concern. Selecting concerns for the 8(a) Program is the responsibility of the SBA and is based on the criteria established in 13 CFR 124.101-112.

(c) Nonmanufacturer Rule. A contractor under a small business set-aside or 8(a) contract shall be a small business under the applicable size standard and shall provide either its own product or that of another domestic small business manufacturing or processing concern.

1. \$2,500 to \$25,000. The SBA has accepted procurements where the anticipated cost of the procurement will not exceed \$25,000 from the nonmanufacturer's rule. Therefore a small business quoting on procurement within this dollar range may quote on the product of any domestic manufacturer regardless of business size.

2. \$25,000 to \$100,000. For actions anticipated to exceed \$25,000, the small business contractor must provide a quote on products manufactured by a small business. The SBA has, however, developed a list of items for which a determination has been made that there are no small business manufacturers or processors in the federal market. For the most current listing of classes for which SBA has granted a waiver, contact a SBA Office of Government Contracting. A listing is also available on SBA's Internet Homepage at (<http://www.sba.gov>).

Contracting officers may request that the SBA waive the non-manufacturer rule for a particular class of products. When procuring an item on the list, the contracting officer may

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proceed with the set-aside by incorporating FAR 52.219-6, Alternate I, which allows the small business contractor to provide the product of any domestic manufacturer.

3. For items that are not on the list, the contracting officer may document the file and solicit on an unrestricted basis or may request an individual waiver from SBA to proceed with the set-aside. Requests for waivers shall be sent to:

Associate Administrator for Government Contracting
United States Small Business Administration
Mail Code 6250
409 Third Street, SW
Washington, DC 20416

Once the waiver is received, the contracting officer may proceed with the small business set-aside. The contract shall include FAR 52.219-6, Alternate I, that allows the small business contractor to provide the product of any manufacturer; however, the acquisition remains under the total small business set-aside.

(d) Very Small Business - A small business concern which, together with its affiliates, has no more than 15 employees and has average annual receipts that do not exceed \$1 million and whose headquarters is located within the geographic area served by any of the following SBA district offices:

1. Albuquerque, NM, serving New Mexico.
2. Los Angeles, CA, serving the following counties in California: Los Angeles, Santa Barbara and Ventura.
3. Boston, MA, serving Massachusetts.
4. Louisville, KY, serving Kentucky.
5. Columbus, Ashland, Athens, Auglaize, Belmont, Brown, Butler, Champaign, Clark, Clermont, Clinton, Coshocton, Crawford, Darke, Delaware, Fairfield, Fayette, Franklin, Gallia, Greene, Guernsey, Hamilton, Hancock, Hardin, Highland, Hocking, Holmes, Jackson, Knox, Lawrence, Licking, Logan, Madison, Marion, Meigs, Mercer, Miami, Monroe, Montgomery, Morgan, Morrow, Muskingum, Noble, Paulding, Perry, Pickaway, Pike, Preble, Putnam, Richland, Ross, Scioto, Shelby, Union, Van Wert, Vinton, Warren, Washington, and Wyandot.
6. New Orleans, LA, serving Louisiana
7. Detroit, MI, serving Michigan.

8. Philadelphia, PA, serving the State of Delaware and the following counties in Pennsylvania: Adams, Berks, Bradford, Bucks, Carbon, Chester, Clinton, Columbia, Cumberland, Dauphin, Delaware, Franklin, Fulton, Huntington, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, Mifflin, Monroe, Montgomery, Montour, Northampton, Northumberland, Philadelphia, Perry, Pike, Potter, Schuylkill, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne, Wyoming and York.

9. El Paso, TX, serving the following counties in Texas: Brewster, Culberson, El Paso, Hudspeth, Jeff Davis, Pecos, Presidio, Reeves and Terrell.

10. Santa Ana, CA, serving the following counties in California: Orange, Riverside and San Bernadino.

(e) Service-disabled veteran small business concern means a small business concern--not less than 51 percent of which is owned by one or more service-disabled veterans, or in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more service-disabled veterans; and, the management and daily business operations of which are controlled by one or more disabled-veterans or, in the case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.

(3) Small Business Solicitation Procedures

(a) General. The contracting officer/buyer based on adequate market research should determine the capability of small businesses in a particular supply or service industry. If through market research, the contracting officer/buyer determines there are an adequate number of small businesses in a particular supply commodity or service industry, the contracting officer/buyer must set-aside the requirement for small business participation and solicit the requirement per the following guidance.

(b) Notification of Set-Aside when a purchase action is required to be set-aside, the buyer must notify potential quoters that the solicitation is restricted to small business. Solicitations issued through NECO and other written solicitations will include the clause at FAR 52.219.6, Notice of Total Small Business Set-Aside or its alternate. If the requirement is solicited orally, the buyer must provide the information contained in the provision to all potential quoters. Potential quoters must be notified that:

1. Quotes will be solicited only from small business concerns,

2. Quotes received from vendors that are not

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small business concerns are ineligible for award and will not be considered; and

3. Any award resulting from the solicitation will be made to a small business.

(c) Solicitations for 8A Concerns. The contracting officer should perform market research by searching the CCR website at <http://www.ccr.gov> and select the "Dynamic Small Business Search" button. This will allow the contracting officer to contact local 8A concerns to determine if they are capable of performing the requirement. Contracting officers need not seek competition when contracting with 8A Concerns. Solicitations may be issued on a sole source basis. The contracting officer is not required to issue a sole source justification to support that action. The contracting office may restrict the solicitation to the qualified 8A contractor identified during the search of the CCR website.

(d) Solicitations for Very Small Business Set-Aside. Contracting offices should maintain lists of very small businesses when the contracting office is located in a designated SBA district or one of its customers is in a designated district. The contracting officer/buyer shall set-aside requirements for very small business concerns when the actions have an anticipated dollar value exceeding the micro-purchase threshold but not greater than \$50,000 and those requirements meet the provisions of paragraph 1 and 2 below. If no reasonable expectation exists under paragraphs 1 and 2 to set-aside a requirement for very small businesses, the contracting officer shall document the file and proceed to make the award as a total small business set-aside.

1. When ordering supplies:

a. The contracting office is located within the geographical area served by a designated SBA district; and

b. There is a reasonable expectation of obtaining offers from two or more responsible very small business concerns headquartered within the geographical area served by the designated SBA district that are competitive in terms of market prices, quality and delivery.

2. When ordering services:

a. The contract will be performed within the geographical area served by a designated SBA district; and

b. There is a reasonable expectation of obtaining offers from two or more responsible very small business concerns headquartered within the geographical area

served by the designated SBA district that are competitive in terms of market price, quality and delivery.

(e) Unrestricted Solicitations. Prior to soliciting a requirement that is greater than the micro-purchase threshold but not more than SAT on an unrestricted basis, the contracting officer/buyer must make a written determination to be included in the purchase file, stating that no reasonable expectation of obtaining quotations from two or more responsible small business concerns, including nonmanufacturers, who offer the products of different concerns, that will be competitive in terms of market price, quality and delivery. This determination can be accomplished on a Total Small Business Set-Aside Form (a sample can be found at the end of Chapter 5).

If the contracting officer issues a solicitation establishing the Total Small Business Set-Aside but does not receive at least one quotation at a fair and reasonable price from a responsible small business concern, the contracting officer should re-solicit the requirement on an unrestricted basis. This will require amending the previous solicitation or issuing a new solicitation to reflect the unrestricted nature of the new solicitation. The decision to proceed on an unrestricted basis must be documented in the purchase file. Normally, the buyer prepares a recommendation and forwards it to the contracting officer for his or her concurrence with the written determination. However, if the anticipated purchase price exceeds \$10,000, the buyer should consult with the activity's Small Business Specialist for assistance in finding small business sources prior to forwarding the recommendation to dissolve the set-aside to the contracting officer (the recommendation is provided on DD 2579). The buyer must then forward the recommendation to the contracting officer who will review the recommendation and forward it to the activity Small Business Specialist. The Small Business Specialist will then make the required written determination and authorize the contracting officer/buyer to proceed on an unrestricted basis.

(f) For procurements not exceeding \$25,000, a small business concern may furnish the product of any domestic firm regardless of business size. For procurements exceeding \$25,000 (see paragraph 2(c) above) a small business concern must supply end items manufactured or produced by small business concerns in the United States.

(g) Size Standard Representations

1. Size Standards. After reviewing the purchase description or statement of work, the buyer must determine the appropriate North American Industrial Classification System (NAICS) code(s) and the related small business size standard and include them in the solicitation

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provision. Size standards can be found at FAR subpart 19.1.

2. Provision. If the requirement is solicited orally, the buyer must provide the information contained in the provision at FAR 52.219.1 or its alternate, Small Business Program Representations or 52.212-3 or appropriate alternate for commercial acquisitions to all potential quoters. Solicitations issued through NECO and written solicitations should include the provision noted above.

(h) Quoter's Representations. To be eligible for award under a small business set-aside, a quoter must represent in good faith that the vendor is a small business as of the date the quotation was submitted. The contracting officer/buyer will generally accept the quoter's representation unless

1. Another quoter or interested party challenges the vendor's representation or

2. The contracting officer has a reason to question the representation.

Challenges of and questions concerning specific vendor's representations should be referred to the SBA per FAR subpart 19.302.

d. Foreign Products. If it is determined that a quotation should be requested on a foreign made product, the purchase may not be set-aside. Once the solicitation is issued on an unrestricted basis, quotes on foreign products may be accepted. However, that does not relieve the contracting officer of the provisions of FAR Part 25 and DFARS Part 225 regarding foreign acquisitions.

Contracting offices, officers and buyers must be aware that not every applicable foreign source restriction is found in the Buy American Act, North American Free Trade Agreement Act, FAR Part 25 and DFARS part 225. A variety of legislative restrictions, which appear in the annual DOD Appropriations Act, apply to DOD acquisitions. A good starting point for contracting offices, officers and buyers for in-sight into these specific commodities and/or items with specific legislative restrictions can be found in DFARS 225.70.

Contracting offices, officers and buyers should be aware of these additional restrictions and discuss all foreign acquisition issues with their Office of General Counsel.

(1) Buy American Act

(a) General. The Buy American Act applies to supply orders and to orders for services that involve furnishing of

supplies for supplies acquired for use in the U.S. and for ships "home ported" in the U.S. that exceed the micro-purchase threshold. DOD activities are required to buy domestic end products as prescribed in FAR Part 25 and DFARS Part 225. Contracting officers/buyers and quoters must use the definitions found in the clause at DFARS 252.225-7001, Buy American Act and Balance of Payment Program to determine if the articles, materials and supplies are considered domestic end products.

(b) Exceptions. The Buy American Act does not apply to the purchase of articles, materials and supplies if one or more of the following exceptions apply:

1. The product is being purchased for use outside the United States (which includes its possessions and Puerto Rico; but does include leased bases or Trust Territories).

2. A determination is made that the cost of a domestic end product is not reasonable. The determination can be made by evaluating quotes per the procedures at DFARS subpart 225.105, DFARS subpart 225.5 and Chapter 6, Evaluation Procedures for Requirements Exceeding the Micro-purchase Threshold.

3. When it has been determined that domestic preference would be inconsistent with public interest. DOD has made that determination for products produced or manufactured in the countries listed as qualifying countries. A list of those items can be found at DFARS subpart 225.872-1(a). Additional determinations may be made on a case-by-case basis per DFARS subpart 225.872-1(b).

4. When the item is not mined, produced or manufactured in the United States in sufficient and reasonable quantities of a satisfactory quality, contracting offices, officers and buyers shall follow the procedures found in (c) below for nonavailability determinations. Lists of already determined nonavailable can be found at FAR 25.104(a) and DFARS 225.104(a).

5. Items purchased specifically for commissary resale.

(c) Nonavailability Determination. A determination that an article, material or supply is not reasonably available is required where domestic offers are insufficient to meet the requirements and award is to be made on other than a qualifying country or North American Free Trade Agreement (NAFTA) eligible end product. This determination must be approved as provided in FAR subpart 25.103(b) and DFARS subpart 225.103(b).

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(d) Solicitation Provisions and Clause Requirements.

1. The clause at DFARS 252.225-7001, Buy American Act and Balance of Payments Program. (Note this clause is included in DFARS 212.-7001 when using procedures found in FAR Part 12.)

2. The provision at DFARS 252.225-7000, Buy American Act-Balance of Payments Program Certificates.

3. The clauses at DFARS 252.225-7002, Qualifying Country Sources as Subcontractors.

(2) NAFTA

(a) Applicability. NAFTA is a trade agreement among the United States, Canada and Mexico. Canadian and Mexican end products subject to NAFTA are those in the Federal Supply Groups (FSGs) listed at DFARS subpart 225.401-70. If the solicitation is set-aside as a Total Small Business Set-Aside under FAR 52.219-6, the NAFTA does not apply. Contracting officers/buyers should also review FAR subpart 25.401 and DFARS subpart 225.401 for additional exceptions to the application of NAFTA. When a solicitation is issued on an unrestricted basis, the contracting officer/buyer shall not apply the Buy American Act or Balance of Payments Program factor to any eligible NAFTA country end product and evaluate each quotation as a qualifying country end product per DFARS subpart 225.502 where the estimated value of the eligible Canadian end product exceeds \$25,000 or the eligible Mexican end product is \$56,190 or more. Although NAFTA may not apply, quotations for Canadian end products at any value may be considered and evaluated as a qualifying end product since Canada is also listed as a qualifying country at DFARS subpart 225.872.

Quotations for Mexican end products estimated to cost less than \$56,190, or which are items that are not eligible under NAFTA, may be considered and evaluated as a nonqualifying country end product.

(b) Solicitation Provisions and Clause Requirements. The buyer should include the following provisions and clauses when the solicitation is over \$25,000 and solicited on an unrestricted basis if NAFTA applies to the required product:

1. Use the provisions at DFARS 252.225-7035 (\$25,000 to \$56,190) or Alternate I (\$56,190 to \$169,000), Buy American Act-North American Free Trade Agreement Implementation Act-Balance of Payments Program Certificate instead of DFARS 252.225-7000.

2. Use the clause at DFARS 252.225-7036

(\$25,000 to \$56,190) or Alt I (\$56,190 to \$169,000) to North American Free Trade Agreement Implementation Act. (Note this clause is already included in DFARS 252.212-7001 when using FAR Part 12.

3. Use DFARS 252.225-7002.

4. Use DFARS 252.225-7013 over \$100,000.

(3) Balance of Payments Program. This program applies to the purchase of supplies for use outside the United States (such as leased bases). Exception to the Balance of Payments Program and evaluation procedures can be found at DFARS 225.75 and DFARS 225.5 respectively. The clauses are the same as those used in acquisitions under the Buy American Act.

(4) Trade Agreements Act. This act applies to FSG listed in DFARS 225.401-70 for requirements over \$169,000. Exceptions and evaluation procedures can be found at DFARS 225.5. The Trade Agreements Act is applicable for requirements using the commercial test program found at FAR Part 13.5. Clauses 225.225-7020, 7021, 7002 and 7013 apply to these requirements.

(5) Restrictions on Certain Foreign Purchases

(a) Ships may not acquire supplies or services from foreign governments or their organizations when these supplies could not have otherwise been imported into the United States lawfully. Therefore, except as provided below, ships shall not acquire or receive from their contractor's or subcontractor's supplies or services originating from sources within or that were located in or transported from restricted countries. Those countries include:

1. Cuba (31 CFR Part 515),
2. Iran (31 CFR Part 560),
3. Libya (31 CFR Part 550),
4. North Korea (31 CFR Part 500), and
5. Sudan (31 CFR part 538).

(b) Unless agency procedures require a higher level of approval, the contracting officer may, in unusual circumstances, acquire for use outside the United States supplies and services restricted in paragraph (a)(1) of this section. Examples of unusual circumstances are an emergency or when the supplies or services are not otherwise available and a substitute is not acceptable. The contracting officer must provide documentation in the contract file whenever this exception is used.

(c) The contracting officer must check the lists of

entities and individuals subject to economic sanctions that are available on the Office of Asset Control (OFAC) website at <http://www.treas.gov/ofac> and may not acquire from such entities and individuals (FAR 25.70 1(b)). The contracting officer is no longer authorized in unusual circumstances to acquire for use outside the United States supplies or services restricted by this section unless specifically authorized by OFAC. However, OFAC has granted authority to DOD personnel to make emergency acquisitions in direct support of U.S. or allied forces deployed in military contingency, humanitarian or peacekeeping operations in a country or region subject to economic sanctions administered by OFAC (see DFARS 225.701-70).

e. Transportation in Supply Orders

(1) General. Transportation and traffic management factors are important in awarding and administering simplified acquisitions to ensure that purchases are made on the most advantageous basis to the Navy, supplies arrive in good order and condition and supplies are delivered on time to the required place. FAR Part 13.106-2(a)(1)(ii) requires contracting officers to evaluate quotations or offers inclusive of transportation charges from the supplier's shipping point to the final delivery destination. Consequently, contracting officers must not only consider the affect of the transportation terms on the contract award but the overall cost of delivering supplies to the final destination. The contractor and contracting officer must agree on the transportation terms and conditions related to the Free On Board (FOB) point. FOB is the term used in conjunction with a physical point (e.g., destination, origin, Consolidation and Containerization Points (CCPs) such as Defense Distribution Depot San Joaquin (DDJC), Inter-Service Supply Support Operations Team (ISSOT), Vendor Receipt and Expediting Program (VREP), vessel, air carrier's terminal, inland carrier, etc.) to determine:

(a) the responsibility and basis for payment of freight charges,

(b) the point at which inspection and acceptance normally occurs, and

(c) the point at which responsibility or title to the supplies normally passes to the Navy.

(2) Transportation terms and procedures

(a) FOB Destination

1. FOB destination terms should generally be requested from all quoters as this transportation term requires the contractor to arrange and to be responsible for the material

until it reaches the destination. The cost of transportation is not shown as a separate item; but it is included in the total cost of the order.

2. FAR clause 52.247-34, FOB Destination should be included in written solicitations and orders. Oral orders should communicate the requirements of the clause. FAR clause 52.247-35 FOB Destination, Within Consignee's Premises should be used when inside delivery or delivery to a specific room or location in the building is desired.

(b) FOB Origin Freight Prepaid. This term refers to situations when the contractor arranges shipping and the Navy is not charged for shipping until the shipment is delivered to the specified city's U.S. Postal Service facility, carrier's freight station, on-board carrier's wharf within reach of the ship's loading tackle or any point located within the same city that is designated by the contracting officer.

1. When FOB destination terms are not obtainable, the use of FOB Origin, Freight Prepaid terms are recommended over other FOB origin clauses when the supplies are unclassified and the shipment will not exceed 150 pounds by any form of commercial air or 1,000 pounds by other commercial carriers and the shipping cost is less than or equal to \$100.00.

2. When FOB Origin terms are agreed upon:

a. the contractor is only responsible for the material until it is delivered to a shipper/carrier,

b. the contractor's quote must include the cost of material and the shipping cost as separate line items,

c. Government ownership normally occurs when the contractor delivers the goods to the shipper. Therefore, the contractor is entitled to payment for the goods upon presentation of evidence that the shipment was received at destination.

d. The clause at FAR 52.247-32, FOB Origin, Freight Prepaid, declares that the city and state from which the shipment originates and the estimated freight charges shall be included in the written solicitation and the ordering document or file documentation when an oral order is given to the contractor.

If the prepaid transportation charges exceed the threshold, shipping charges above the prescribed limits shall be taken from the procurement line of accounting supporting the contract action.

(c) FOB Origin Contractor's Facility

1. FOB Origin Contractor's Facility means delivery free of expense to the Navy when delivered on board a Navy vehicle or the conveyance of the commercial carrier at the designated facility or on the named street, in the city and state from which the goods will be picked up or from which shipment will be made.

2. FAR clause 52.247-30 FOB Origin, Contractor's Facility should be incorporated when FOB destination terms are not obtainable and the determination has been made that picking up the supplies at the contractor's place of business (i.e., facility) is in the best interest of the Government.

3. This term means the contractor is only responsible for the supplies until the order is picked up. Therefore, it is important for Navy personnel responsible for picking up an order to visually inspect the condition of the package and compare the packing list to the ordering document prior to taking possession of the shipment.

(d) Evaluation of Transportation Orders. The contracting officer/buyer may include a statement in the solicitation that quotations submitted on a basis other than FOB Destination will be rejected as nonresponsive when FOB Destination only quotations are desired for shipments originating from and delivered to locations within CONUS.

When the practice within the industry concerned does not normally include quoting FOB Destination terms, the contracting officer/buyer shall specify that quotations may be FOB Destination, FOB Origin or both.

If the solicitation is oral, the contracting officer/buyer will notify the contractor of the applicable transportation terms and conditions. FAR clause 52.247-45 FOB Origin and/or FOB Destination Evaluation shall be incorporated into the solicitation and award if terms other than FOB destination may be considered during the quotation evaluation process.

(e) Transportation Account Code(s) (TAC). When a TAC is available for the appropriation financing the purchase, the transportation costs prepaid by the contractor are not charged directly to the appropriation. The order shall include the appropriate four digit TAC to pay the freight charges. The TAC assigned to the order based upon the procuring appropriation that is financing the purchase is illustrated below.

*The DON TAC Website can be found at <http://www.daas.dla.mil/>. Select DAASC services from the home page and then select TACINQ.

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ASSIGNMENT OF TRANSPORTATION ACCOUNT CODE (TAC)

Procurement Appropriation	FOB Origin TAC	PREPAY And Add TAC
17*1506 Aircraft Procurement Navy (APN)	N826	N837
17*1711 Shipbuilding and Conversion Navy (SCN)	N841	N844
17*1804 Series Operations and Maintenance Navy (O&MN)		
17*1804.j	N824	NA
17*1804.11	N842	NA
17*1804.12	N843	NA
17*1804.4	N849	NA
17*1804.22	N851	NA
17*1804.9	N852	NA
17*1804.8	N853	NA
17*1804.K7	N854	NA
17*1804.3	N855	NA
17*1804.60	N862	NA
17*1804.62	N865	NA
17*1804.63	N866	NA
17*1804.69	N870	NA
17*1804.70	N872	NA
17*1806 Operations and Maintenance Naval Reserve (O&MNR)	NA	N888
17*1806.8	N829	NA
17*1806.70	N871	NA
17*1806.72	N876	NA
17*1507 Series Weapons Procurement Navy (WPN)		
17*1507.84E3 Small Arms Weapons	N81A	
17*1507.A4E6 Mods Under \$2M	N81B	
17*1507.24DT CIWS Mods	N81C	
17*1507.83F4 ASW Range Support	N81E	
17*1507.84E5 5/54 Gun Mt Mod	N81F	
17*1507.84E6 Gun mount Mods	N81G	
17*1507.12ES ESSM	N81H	
17*1507.16JC Spares/Repair Parts	N81J	
17*1507.84du MK 75/76 MM Gun Mods	N81K	
17*1507.12FK Standard Missile Mods	N81M	
17*1507.C3DI MK 48 Torpedo Mods	N81N	
17*1507.A2FE Land ATK Std Missile	N81P	
17*1507.73QS QUICKSTRIKE Mine	N81Q	
17*1507.22EF RAM	N81R	
17*1507.C3F8 Torpedo Support Equip	N81T	
17*1507.A2FD Other Missile Support	N81U	
17*1507.C3DQ Vert Launched Asroc	N81V	
17*1507.82FU Weapons Industrial Fac	N81W	
17*1507	ISLMM	
17*1507.C3TG ASW Targets	N81Z	

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17*1507.82FU	Missile Ind Fac	N825
17*1507.36JC	Spares/Repair Parts	N830
17*1507.J2EL	Tomahawk	N873
17*1507.Y2GB	AMRAAM	N87A
17*1507	Pioneer	N87B
17*1507.J2DJ	Drones and Decoys	N87D
17*1507.Y2F6	Hellfire Missile	N87F
17*1507.J2EW	Harpoon Mods	N87H
17*1507.Y2JS	JSOW	N87J
17*1507.42FU	Missile Ind Fac	N87M
17*1507.42EP	Sidewinder Mods	N87N
17*1507.J2GS	Penguin Missile	N87P
17*1507.J2SL	SLAM-ER	N87R
17*1507.46JC	Spares/Repair Parts	N87S
17*1507.J2EM	Ariel Targets	N87T
17*1507	HARM Mods	N87U
17*1507	VTOL UAV	N87V
17*1507.42FU	Weapons Industrial Fac	N87W
17*1507	Ordinance Supp Equipment	N88A
17*1507.J6JC	Spares/Repair Parts	N88B
17*1507.Q2EU	Fit Satellite Comm	N88C
17*1507.C3F5	MK-46 Torpedo Mods	N88F
17*1507	TALD	N88G
17*1507	CALD/PAD	N88H
17*1507	JDAM	N88J
17*1507.42EN	Sparrow Missile	N88K
17*1507	ASROC Missile	N88L

17*1810	Series Other Procurement Navy (OPN)	
17*1810.J45A	Surface Tomahawk	N863
17*1810.J25E	Common Imagery Ground Supp	N84F
17*1810.U3Q	Sonobouys	N84G
17*1810.42PN	Automatic Carrier Landing	N881
17*1810.43SJ	Aircraft Launch and Recovery	N84H
17*1810.43SY	Aviation Life Support	N84J
17*1810.K5XL	Amphibious Equip	N874
17*1810.K5XG	Tactical Equip	N884
17*1810.K5HF	Pollution Control Equip	N772
17*1810.Z2DG	NSIPS	N897
17*1810.81JW	Other Navigation Eq	N834
17*1810.81HF	Pollution Control Equip	N84K
17*1810.81HR	Reactor Components	N84L
17*1810.81HS	Nuclear Alterations	N84M
17*1810.82SA	SSN Accoustics	N84N
17*1810.H1BB	Submarine Support Eq	N84P
17*1810.A2UC	Cooperative Engagement	N84Q
17*1810.24UR	Rolling Air Frame (RAM) Miss	N84R
17*1810.A4L7	AEGIS Support	N84S
17*1810.73S0	Airborne Mine Countermeasures	N84T
17*1810.88JC	Outfitting Spares	N84U
17*1810.81P1	SubPeriscopes & Imaging	N84V
17*1810.81HM	Submarine Batteries	N85A

17*1810.84U9	Strategic Platform Supp	N84W
17*1810.84RA	Items Less Than \$5M	N84Y
17*1810.C2DB	AN/SQQ-89 ASW Combat	N84Z
17*1810.72LV	Minesweeping System Repl	N83A
17*1810.82MB	Other Training Eq	N83B
17*1810.24UK	Gun Fire Control Eq	N83C
17*1810.A4UQ	Ship Self Def System	N85V
17*1810.H4VB	SSN Combat Control Systems	N83E
17*1810.A4VV	Antiship Missile Decoy	N85E
17*1810.96W3	Other Supply Supp Eq	N887
17*1810	Environmental Supp Eq	N83G
17*1810	Special Purpose Supply Sys	N83H
17*1810.N7YG	Intelligence Support Eq	N83J
17*1810.521U	Shipboard IW Exploit	N880
17*1810.52DN	Naval Tactical Cmd Support	N83K
17*1810.52PQ	Ship Communications Auto	N83L
17*1810.52NN	Satelllite Communications	N83M
17*1810.52D6	Naval Shore Communications	N83N
17*1810.2DA	Info Systems Security	N83P
17*1810.58JC	Initial Spares	N83Q
17*1810	Fixed Surveillance Systems	N83R
17*1810.52TA	GCCS-M Equip	N85K
17*1810.Q2DR	ATDLS	N83T
17*1810.52W4	Shore LF/VLF	N83U
17*1810.53SP	Meteorological Eq	N83V

(* = last digit of fiscal year in which funds are available)

f. Additional Terms and Conditions. Each acquisition is unique and may require the inclusion of additional terms and conditions in the solicitation and resulting award. (e.g., hazardous materials). The inclusion or application of the additional terms and conditions will impact on the substance of the solicitation the contracting officer/buyer is considering. Buyers should refer to the acquisition regulations and other chapters or enclosures in this instruction pertinent to a specific requirement for additional guidance. Some issues of particular interest include;

(1) Labor Laws. Contracting officers/buyers must encourage contractors to cooperate with Federal and state agencies responsible for enforcing labor requirements such as safety, health and sanitation, maximum work hours and minimum wages, equal employment opportunity, child and convict labor, age discrimination, disabled and Vietnam veteran employment and employment of the handicapped. As required by FAR 22, buyers must include applicable provisions and clauses in solicitations and resulting orders.

(a) Service Contract Act (SCA). The SCA applies to acquisitions of services performed by service employees. Service employees are generally blue-collar type employees

(e.g., mechanics, helpers, draftsman, etc.). Micro-purchases are generally exempt from the requirements of the SCA. When your requirement is for services in excess of \$2,500, the contracting officer must complete and forward an SF98 to the Department of Labor (DOL) or via the Internet at <http://www.wdol.gov/>, complete and request a wage determination for the specific job categories. The resulting DOL wage determination must be included in the solicitation and eventual award document. For additional information on the SCA, refer to FAR Part 22 for guidance. Pursuant to 10 U.S.C. 7299, the SCA does not apply to certain shipboard services such as alteration, furnishing or equipping of a naval vessel. In addition, the SCA does not apply to services performed outside the United States, its territories and Puerto Rico (this does not include leased bases or Trust Territories).

(b) Prompt Payment Act. The Prompt Payment Act sets forth the time frame within which the Government must pay contractors for delivered supplies and services (see FAR Part 32.9 and Chapter 8 of this instruction). Many contractors offer a discount to customers who pay sooner than the Prompt Payment Act allows. The buyer should make every effort to obtain the prompt payment discounts offered within each contractor's quote. The clause at FAR 52.232-8, Discounts for Prompt Payment, should be included in written solicitations and resulting awards that also include FAR Subpart 52.232-25, Prompt Payment. Since there is no guarantee payment will be made within the quoted discount period, prompt payment discounts may not be considered when evaluating quotations for award. As discussed in Chapter 8, solicitations and awards should also reference either FAR Subpart 52.232-33, Payment by Electronic Funds Transfer-Central Contractor Registration or FAR Subpart 52.232-34, Payment by Electronic Funds Transfer Payment-Other than Central Contractor Registration, as appropriate.

(c) Economic Quantity Discounts. Each solicitation for supplies is required, if practicable, to include the provision at FAR Subpart 52.207-4, Economic Purchase Quantity-Supplies. This provision invites each quoter to: (1) state an opinion on whether the quantity of the supplies requested is economically advantageous to the Government, and (2) if applicable, recommends quantities that would be more economically advantageous. If quantity discounts are quoted and a significant price variation is evident between the requested quantity and the quoted discounted quantities, which identify significant savings for the Government, the buyer must consult with the customer/requisitioner prior to award to identify the potential savings. When consulting with the customer results in a change in the requested quantity, the contracting officer/buyer must request revised quotes from the participating contractors requesting a quotation on the revised quantity.

g. Unique Item Identification (UID). Contracting officers/buyers shall include DFARS clause 252.211-7003 Item Identification and Valuation in all solicitations that require delivery of items. Contractors are required to provide unique item identification, or a DOD recognized unique identification equivalent, for all items delivered with an acquisition cost of \$5,000 or more. Unique identification may be identified in a Contract Data Requirement List (CDRL). Under the clause 252.211-7003, markings of items shall be in accordance with MIL-STD 130L, Identification Marking of U.S. Military Property.

h. Central Contractor Registration (CCR). DFARS Part 204.7300 prescribes policies and procedures for requiring contractor registration in the DOD CCR database to comply with the Debt Collection Improvement Act of 1996 (31 U.S.C. 3332; 31 U.S.C. 7701) and increase visibility of vendor sources for specific supplies and services in their geographical locations.

(1) Policy prospective contractors must be registered in the CCR database prior to award of a contract, basic agreement, basic ordering agreement or blanket purchase agreement unless the award results from a solicitation issued on or before 31 May 1998. Contracting officer/buyers should refer to Chapter 7 of this instruction for guidance on registering contractors in the CCR database. This policy applies to all types of awards except the following:

- (a) Purchases paid for with the GCPC,
- (b) Awards to foreign vendors for work performed outside the United States,
- (c) Classified contracts or purchases (See FAR Subpart 4.402),
- (d) Contracts awarded by deployed contracting officers in the course of military operations, including, but not limited to, contingency operations as defined in 10 U.S.C. 101(a)(13) or contracts awarded by contracting officers in the conduct of emergency operations such as responses to natural disasters or national or civil emergencies, or
- (e) Purchases to support unusual or compelling needs of the type described in FAR Subpart 6.302-2. Use of this exception does not relieve the contracting officer from ensuring that the contractor is registered in CCR prior to the time of payment by DFAS.

Contract Provisions/Clauses. Except as noted above, use the clause found at DFARS 252.204-7004, Required Central Contractor Registration, in:

1. Solicitations issued after 31 May 1998;
2. Contracts resulting from solicitations issued after 31 May 1998; or
3. Basic agreements, basic ordering agreements and blanket purchase agreements issued after 31 May 1998 unless they resulted from solicitations issued on or before 31 May 1998.

3. Solicitation Procedures for the Acquisition of Commercial Items

- a. Scope. This paragraph provides information regarding the acquisition of commercial items as defined in FAR subpart 2.101.
- b. General. These procedures apply when acquiring commercial items in excess of the micro-purchase threshold, but not above the simplified acquisition threshold.
- c. Definition. A commercial item is defined in FAR subpart 2.101, however, a discussion of key areas of the definition is provided below:

(1) A commercial item is any item, other than real property, that is of a type customarily used for non-governmental purposes that has been sold, leased or licensed to the general public or has been offered for sale, lease or license to the general public;

(2) A commercial item can also be defined as any item being developed and although not currently available in the commercial marketplace, will be available to satisfy the delivery requirements under a Government solicitation;

(3) A commercial item can meet the definition if it may require minor modifications to meet the Government's needs;

(4) A commercial item can also include the installation, maintenance, repair, training and other services that are required for support of a commercial item;

(5) A commercial item can also be an item developed at private expense and sold in substantial quantities, at competitive prices, to multiple state and local Governments (i.e., nondevelopmental items);

(6) Commercial Services are defined as those services offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed under standard commercial

terms and conditions.

d. Special Requirements for the Acquisition of Commercial Items. Special requirements have been established for the acquisition of commercial items in order for Government practices to more closely resemble and benefit from the practices found in commercial marketplace. These include:

(1) Market Research and Description of Agency Need. After the requirement has been established (description of agency need) market research should be accomplished to determine what is available in the commercial marketplace (See Chapter 2). This includes what products or services are available, commercial terms, conditions, warranties and financing practices. Market research also can determine if items are available that can be modified to meet our requirement or if non-developmental items are available. The final decision on whether an item meets the definition of a commercial item rests with the contracting officer.

(2) Description of Agency Need. The description of agency need (purchase description) (See Chapter 2) must contain sufficient detail for potential offerors of commercial items to know which commercial products or services may be suitable to meet the Government's requirement.

(3) Solicitation Procedures. Contracting officers should use the solicitation procedures found in FAR subpart 12 and FAR subpart 13 when soliciting simplified acquisition requirements (See Chapter 7). For requirements over \$25,000 contracting officers should use the combined solicitation/synopsis procedures found at FAR subpart 12. This procedure offers contracting officers several benefits including authorization for an abbreviated response time and elimination of the requirement to issue a written solicitation after the combined solicitation/synopsis.

(4) Solicitation/Contract Form. Although not mandatory for actions below the simplified acquisition threshold, use of the Standard Form 1449 is encouraged when issuing written solicitations and placing orders for commercial items. The SF 1449 may also be used for documenting receipt, inspection and acceptance. Contracting officers are authorized to use the DD 1155 below the SAT in conjunction with the acquisition of commercial items as long as the appropriate terms and conditions from FAR subpart 12 are used.

(a) When oral solicitations are accomplished for the acquisition of commercial items or when a combined synopsis/solicitation is issued, award may be issued on SF 1449. The contracting officer will complete the appropriate blocks identifying the action as an award, sign the form and send the

contractor a copy of the order. This will result in a unilateral order. If the contracting officer intends to issue the PO as a bilateral award, he/she should advise the contractor to sign the order and return it to the contracting officer.

(b) When utilizing the SF 1449 for a written solicitation, the contracting officer should check the blocks identifying the action as a solicitation, assign the action an RFQ number and forward to the contractor. The contractor does not sign the SF 1449 at this time. He/she is only providing a quote. The contractor should complete the required information on the SF 1449 and return it to the contracting officer. After evaluation, the contracting officer may make the award on the same document by clearly identifying the action as a simplified acquisition award, assigning a PIIN (M or P), signing the form and returning it to the contractor. The award may also be made on a separately issued SF 1449.

e. Evaluation of Quotes/Offers

(1) Literature. When technical information is necessary to evaluate quotes/offers, activities should, as part of market research, review existing product literature to determine its adequacy for the immediate evaluation. If determined adequate, existing product literature may be utilized to evaluate the available quotations. In any case, contracting officers should only request the minimum technical information necessary to perform an adequate evaluation for award.

(2) Quotes. Contracting officers may authorize quoters to propose more than one product that will meet the Government's need. The contracting officer must evaluate each product as a separate quotation.

(3) Past Performance. Past performance can be an important element of each evaluation and subsequent award for a commercial item. Contracting officers should consider past performance data from a wide variety of sources both inside and outside the Government per the policies found in FAR subpart 13.106-2 and Chapter 6 of this instruction.

(4) Contract Type. Commercial items can only be acquired with the use of a firm fixed price award.

(5) Commercial Software. Commercial computer software or commercial computer software documentation can generally be acquired under licenses customarily provided to the public as long as the licenses are consistent with Federal law and satisfy the Government's needs. (See FAR subpart 12.212)

(6) Commercial Practices. The terms and conditions

delineated in FAR subpart 12 are intended to satisfy the interests of the Government and the contractor. However, it may be determined through market research that a practice not identified in FAR subpart 12 is customary in the commercial marketplace. The contracting officer may tailor FAR subpart 52.212-4 to incorporate any such practices into the solicitation/order when determined appropriate and not otherwise precluded by law or executive order.

f. Solicitation Provisions and Contract Clauses.
Commercial item procurements should, to the maximum extent practicable, include only those clauses, provisions of law or executive orders applicable to the acquisition of commercial items and determined to be consistent with customary practices. Clauses/provisions determined to be generally sufficient for acquisitions of commercial items are discussed in detail in FAR subpart 12.3 and DFARS 212.3. The contracting officer may include consistent with guidance in FAR subpart 12.302 and DFARS 212.302. For example, additional provisions may be appropriate for the purchase of hazardous materials, incorporating options, etc.

4. Methods of Soliciting Quotes

a. Oral Quotations

(1) Requests for quotations for purchase actions not expected to exceed \$25,000 and not processed through NECO, must be solicited orally to the maximum extent practicable. Oral solicitations normally receive quicker responses, require less paperwork which reduce administrative costs over solicitations that are issued in writing.

(2) Oral solicitations for purchase actions not expected to exceed \$25,000 may be limited to qualified sources within the local trade area. However, contracting officers/buyers should not limit solicitations to well-known businesses or suppliers of the same make or model nor may buyers solicit businesses on a personal preference basis.

(3) When soliciting a quotation by phone, the buyer should begin by requesting the business size of the contractor. (If the requirement is being solicited under the Total Small Business Set-Aside, a large business would be ineligible and the buyer would then continue the solicitation process by contracting other sources.) The buyer should then completely describe the Government's needs and request price and delivery information. The price and delivery information should include the quoted manufacturers name and part number, unit and extended price, delivery date and transportation terms. (See paragraph 6 below for a more detailed list of quotation questions.) If the sales representative cannot provide an immediate quotation

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(response), the buyer should provide a cut-off date based on the anticipated award date. He/she should inform the contractor that quotations might not be considered after that time. The buyer must establish a response time based on the price, quantity and complexity that offers contractors a reasonable opportunity to respond.

b. Written Solicitations

(1) Written solicitations for supplies and services not expected to exceed \$25,000 should only be issued when soliciting orally or the use of NECO is not considered economical or practical.

(2) Written solicitations may be limited to qualified sources in the local trade and may be appropriate when the following conditions exist:

(a) Numerous line items are included in a single purchase action,

(b) Detailed purchase descriptions or SOW is involved, and

(c) It is necessary to provide documentation such as drawings, schematics, blueprints, technical references, etc., to each perspective quoter, or the contracting officer determines that a written solicitation is in the best interest of the Navy.

(3) Written solicitations. Written solicitations may be issued using the SF 1449, Solicitation/Contract/Order for Commercial Items or the SF 18. A sample SF 1449 with the appropriate provisions and a sample of a SF 18 may be found in enclosure (1). Contract clauses that may be determined appropriate for the solicitation and resulting award on the DD 1155 can also be found in enclosure (1). Written solicitations issued on SF 1449s or SF 18s may be sent to potential quoters via facsimile transmission. Buyers should ensure that proof of receipt is obtained where faxed copies are used. All of the requirements for written solicitations remain in effect. Facsimile responses may also be authorized.

(a) Adequacy of Solicitations. Whether soliciting quotes orally or in writing, the buyer must ensure requirements are described in a clear concise manner to each prospective quoter. This description must include as a minimum, a description of the supplies and services, the quantities required, the delivery date and location and a deadline for responding to the solicitation.

(4) Navy Electronic Commerce Online (NECO). NECO is an Internet-based method of posting and exchanging procurement

information on DON solicitations and awards. NECO is a recommended method for DON contracting offices to solicit written requirements over the micro-purchase threshold. NMCARS 5213.106-1 provides that every competitive written solicitation that is required by FAR Subpart 5.2 be synopsisized in the GPE and all amendments thereto shall be available electronically and be linked to or posted on NECO. (<http://www.neco.navy.mil/>)

5. Publicizing Solicitations

a. General. Buyers and contracting officers must ensure simplified acquisition requirements are adequately publicized to:

- (1) Increase competition,
- (2) Notify small businesses of simplified acquisition opportunities, and
- (3) Broaden the participation of small, small disadvantaged, veteran owned, service-disabled veteran owned and women owned small businesses in meeting Navy requirements.

b. Actions between \$10,000 and \$25,000. The contracting officer must ensure written solicitations for purchase requirements in excess of \$10,000 but not greater than \$25,000 have an unclassified notice or copy of the request for quotation displayed in a public place. The notice must be posted no later than the date the solicitation is issued and remain posted for at least 10 days or until after the quotations have been opened whichever is later. The notice or the solicitations must include the statement, "All responsible sources may submit a quotation which, if timely received, will be considered by the Agency." Public posting may be accomplished using the following methods:

- (1) Posting a manual copy at the contracting office;
- (2) Posting an electronic copy on an electronic bulletin board or other electronic means at the contracting office; and
- (3) Posting via the Internet including websites and electronic bulletin boards. NECO serves the purpose of an electronic bulletin board for DON. In cases where the display of solicitation is accessible only at the Government location, the contracting office must periodically publicize the method for accessing such notices.

c. Actions Greater Than \$25,000. Contracting officers/buyers shall publish a notice of contract action in the GPE (<http://www.fedbizopps.gov>) for those actions expected to exceed \$25,000 (including modifications) as provided below. In

addition, DON contracting offices and officers must post these requirements to NECO per NMCARS 52213.106-1. The notice must be published at least 15 days before issuance of a solicitation except for the acquisition of commercial items where the contracting officer may establish a shorter period for issuance of the solicitation; or use the combined synopsis and solicitation procedure (see FAR Part 12.603).

(1) For solicitations subject to NAFTA, the contracting officer/buyer must synopsise the requirement for 15 days and allow a 40 day response time between publication of the notice of synopsis and receipt of the offers/bids/quotes.

(2) Procurements conducted under the 8A Program are exempt from the synopsis requirement.

(3) Proposed actions that do not exceed the simplified acquisition threshold, that will be made through a means that provides access to the notice of proposed contract action through the GPE (FEDBIZOPPS) and permits the public to respond to the solicitation electronically (NECO), are exempt from the synopsis time frames noted above. Therefore, DON contracting officers that post requirements to FEDBIZOPPS and subsequently post a notice through NECO gain relief from the "time frames" of the synopsis requirement. Once the contracting officer has confirmed the synopsis has posted to FEDBIZOPPS, he/she can solicit the requirement ensuring that the solicitation period offers a "reasonable opportunity" for offerors to respond to the solicitation. This time frame would be at the discretion of the contracting officer. This would allow the contracting officer to make an award within 1 to 6 days depending on the responses received to the synopsis or solicitation. The contracting officer/buyer must consider the circumstances of each acquisition including such factors as complexity, commerciality, availability and urgency.

Evidence that the solicitation was synopsized or a written justification for not synopsizing, must be retained in the purchase file. A sample Solicitation Synopsis Transmittal Form is found at the end of this chapter. If the synopsis contains enough information to receive oral quotations, the contracting officer is not required to issue a separate written solicitation. Synopsis is not required if the contract action will be made and performed outside the United States, its possessions or Puerto Rico and only local sources will be solicited.

(4) Synopsis Time Frames

(a) Commercial Items. The contracting officer must confirm posting of their synopsis to FEDBIZOPPS (1 to 6 day time frame). Subsequently, contracting officers must also allow

for a solicitation period that offers a reasonable opportunity to offer a quotation. Based on responses to synopsis, the contracting officer can therefore make award within a 2 to 5 day time period.

(b) Non-Commercial Items. The contracting officer must confirm posting of their synopsis to FEDBIZOPPS (1 to 6 day time frame) plus an additional 15 day advertising period and a subsequent solicitation period that offers a "reasonable opportunity" to offer a quotation. The contracting officer should be able to make an award on the 16th day depending on the responses to his/her solicitation.

6. Record of Solicitation. Regardless of the method of solicitation, all information obtained during the solicitation must be recorded and documented in the purchase file. The buyer may record the suppliers solicited and quotations received on a locally developed worksheet, a bid abstract sheet or an electronically generated worksheet. (A sample Simplified Acquisition Worksheet can be found at the end of this chapter). Each quotation received in a timely fashion should be recorded in the purchase file and should include at least the following information:

- a. Identification of quoter including business name, address, phone number and Point of Contact (POC);
- b. Date and time of quotation received (quotation number and expiration date, if applicable);
- c. Quoters business size representation;
- d. Other representations of quoter's qualifications, if applicable;
- e. Brand name and model, part or catalog number of each item quoted on;
- f. Country of origin of quoted item (place the product was manufactured or produced if other than the U.S.)
- g. Unit and extended price for each item or service;
- h. Total price of all items quoted;
- i. Proposed delivery date if different from Navy's required delivery date;
- j. Transportation terms and if applicable transportation charges;
- k. Quantity or trade discounts offered; if applicable;

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- l. Minimum order charge, if applicable, and;
- m. Prompt payment discounts, if any.

TOTAL SMALL BUSINESS SET-ASIDE
DETERMINATION TO SOLICIT/AWARD ON AN UNRESTRICTED BASIS

Ref: _____
[Purchase Request and/or Solicitation Number(s)]

1. The purchase of this requirement must be solicited on an unrestricted basis for one or more of the following reasons:

A large business or foreign country manufacturer has been sole sourced as evidenced by the attached statement.

As evidenced by the attached urgency or mission impact statement, a large business or foreign country manufacturer is the only known source and there is not enough time to wait for small business responses to public notice or conduct a market search.

No small business responses were received after the required public notification was made or a market search was conducted.

Although more than one small business was solicited for this requirement, only one small business quote was received and the price is not considered fair and reasonable.

Small business(es) has/have been solicited but cannot meet the required delivery date and the requisitioner cannot accept a later date. The item(s) offered by small business(es) does/do not meet the salient characteristics required by the requisitioner.

Other: _____

2. Per FAR subpart 19.502 and based on the above information, this requirement will not be set-aside or the set-aside is being withdrawn and solicitation and/or award will be made on an unrestricted basis.

PREPARED BY: _____
Buyer Sign and Date

IF OVER \$10,000, REVIEWED BY: _____
(Comments on Reverse) Small Business Specialist Sign & Date

APPROVED BY: _____
Contracting Officer

SMALL BUSINESS COORDINATION RECORD				REPORT CONTROL SYMBOL DD-AT&L(AR)1862	
1. CONTROL NO. (Optional)		2. PURCHASE REQUEST NO./ REQUISITION NO.		3. TOTAL ESTIMATED VALUE (including options)	
4. SOLICITATION NO./CONTRACT MODIFICATION NO.					
5. BUYER					
a. NAME (Last, First, Middle Initial)			b. OFFICE SYMBOL		c. TELEPHONE (include Area Code)
6. ITEM DESCRIPTION (including quantity)					6a. FEDERAL SUPPLY CLASS/SERVICE (FSC/SVC) CODE
7. TYPE OF COORDINATION (X one)			8. SMALL BUSINESS SIZE STANDARD		
<input type="checkbox"/> INITIAL CONTACT <input type="checkbox"/> MODIFICATION <input type="checkbox"/> WITHDRAWAL			a. NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS) CODE		
			b. NO. OF EMPLOYEES		
			c. DOLLARS		
9. RECOMMENDATION (X as applicable)				10. ACQUISITION HISTORY (X one)	
YES NO (If all recommendations are "No," explain in Remarks.)				a. FIRST TIME BUY	
				b. PREVIOUS ACQUISITION (X all that apply)	
a. SECTION 8(a) (X one)				(1) SECTION 8(a)	
<input type="checkbox"/> (1) COMPETITIVE <input type="checkbox"/> (2) SOLE SOURCE				(2) SDB SET-ASIDE	
b. SMALL DISADVANTAGED BUSINESS (SDB) SET-ASIDE				(3) HUBZONE SET-ASIDE	
c. HISTORICALLY BLACK COLLEGES AND UNIVERSITIES/ MINORITY INSTITUTIONS (HBCU/MI) SET-ASIDE (list percentage)				(4) SB SET-ASIDE	
90				(5) OTHER (Specify)	
d. SMALL BUSINESS (SB) SET-ASIDE (list percentage)				(6) TWO OR MORE RESPONSIVE SB OFFERS ON PRIOR ACQUISITION	
90				(7) ONE OR MORE RESPONSIVE SDB OFFER(S) WITHIN 10% OF AWARD PRICE OF PRIOR ACQUISITION	
e. EMERGING SMALL BUSINESS SET-ASIDE				(8) WOMAN OWNED SB	
f. EVALUATION PREFERENCE FOR SDBs				(9) SERVICE-DISABLED VETERAN SB	
g. HUBZONE SET-ASIDE					
h. HUBZONE SOLE SOURCE					
i. HUBZONE PRICE EVALUATION PREFERENCE					
11. SB PROGRESS PAYMENTS (X one)		12. SUBCONTRACTING PLAN REQUIRED (X one)		13. SYNOPSIS REQUIRED (X one) (If "No," cite FAR 5.202 exception)	
YES <input type="checkbox"/> NO <input type="checkbox"/>		YES <input type="checkbox"/> NO <input type="checkbox"/>		YES <input type="checkbox"/> NO <input type="checkbox"/>	
14. REMARKS					
15. REVIEWED BY SMALL BUSINESS ADMINISTRATION (SBA) REPRESENTATIVE				16. LOCAL USE	
a. NAME (Last, First, Middle Initial)					
b. SIGNATURE				c. DATE SIGNED (YYYYMMDD)	
17. CONTRACTING OFFICER (X one)				18. SMALL BUSINESS SPECIALIST (X one)	
<input type="checkbox"/> CONCURS <input type="checkbox"/> REJECTS				<input type="checkbox"/> CONCURS <input type="checkbox"/> APPEALS	
a. RECOMMENDATIONS (Document/rejections on reverse side)				NOTE: Any change in the acquisition plan this coordination record describes will require return for re-evaluation by the SB specialist.	
b. NAME (Last, First, Middle Initial)				a. NAME (Last, First, Middle Initial)	
c. SIGNATURE				b. SIGNATURE	
d. DATE SIGNED (YYYYMMDD)				c. DATE SIGNED (YYYYMMDD)	

DD FORM 2579, DEC 2000

PREVIOUS EDITION IS OBSOLETE.

Reset

SOLICITATION SYNOPSIS TRANSMITTAL FORMAT
(Per FAR subpart 5.207)

1. _!! ACTION CODE
(P=Presolicitation Notice/Procurement,
M=Modification of previous notice,
R=Sources Sought, A=Award)
2. ____!! DATE (MMDD) transmitted to the GPE
3. ____!! YEAR (YY)
4. ____!! FEDERAL INFORMATION PROCESSING STANDARD (FIPS)
NUMBER
5. ____-____!! CONTRACTING OFFICE ZIP CODE
6. ____!! CLASSIFICATION CODE
7. _____!!
(CONTRACTING OFFICE ADDRESS)
8. _____!!
(SUBJECT)
9. ____-____-Q-____!! PROPOSED SOLICITATION NUMBER
10. ____!! CLOSING RESPONSE DATE (MMDDYY)
11. _____!!
(POC/PHONE NUMBER)
12. N/A!! CONTRACT AWARD NUMBER
13. N/A!! CONTRACT AWARD DOLLAR AMOUNT
14. N/A!! CONTRACT LINE ITEM NUMBER
15. N/A!! CONTRACT AWARD DATE
16. N/A!! CONTRACTOR
17. _____

_____*****
(DESCRIPTION of the Action)

SIMPLIFIED ACQUISITION DOCUMENTATION RECORD

As the Contracting Officer, I am recommending award to _____ at
\$ _____. I have determined the price fair and reasonable
based on the documentation provided below:

SCREENING

1. Required sources of supply have been screened.

- ☐ FPI/UNICOR
____ Not offered/not required for services.
____ Not comparable to commercial industry.
____ Clearance attached.
- ☐ JWOD (NIB/NISH)
____ Not offered.
____ Waiver attached for services.
- ☐ GSA FSS
Schedule number(s) _____ checked.
____ Items not available under schedule
____ Items available under GSA FSS number: _____
____ Expires _____

2. Other contractual sources reviewed

- ☐ DOD/DON/IDTC/IDTPO/Local
Contract _____
Expires _____

MARKET RESEARCH

- ☐ Market research was conducted resulting in the following:

COMMERCIAL DETERMINATION

- ☐ This supply/service was determined to be commercial based on:

- ☐ <\$2,500; written determination not to use purchase card in file

REPORTING REQUIREMENTS

- ☐ DD350 (\$25,000 and above)
☐ DD1057 (\$25,000 and below)

BEST VALUE ANALYSIS

The placement of a delivery order under the referenced GSA FSS represents the best value to the Government and meets the agency's needs as the lowest overall cost alternative. This determination is based upon a review of MAS contracts by using "GSA Advantage!" on-line shopping service or by reviewing the catalogs or price lists of at least three schedule contractors.

SIMPLIFIED ACQUISITION DOCUMENTATION RECORD

Factors considered:

- ☐ Special features (salient characteristics)
- ☐ Trade-in considerations
- ☐ Probable life of the item selected as compared with a comparable item
- ☐ Warranty provisions
- ☐ Maintenance availability
- ☐ Past performance
- ☐ Environmental and energy efficiency considerations

SYNOPSIS

- ___ Requirement was synopsized.
- ___ Combined synopsis/solicitation
- ___ Requirement was not synopsized. The following FAR 5.202 exception applies: _____

CENTRAL CONTRACTOR REGISTRATION (CCR)

<http://www.ccr.gov>

- ☐ The contractor/vendor is registered with the CCR.
- ☐ The contractor/vendor is not registered with the CCR
 - ☐ Contractor has filed required application with the CCR.
 - ☐ Waiver has been made due to urgency

CONTRACTOR RESPONSIBILITY DETERMINATION

The prospective contractor has been determined to be responsible based on the general standards of responsibility prescribed by FAR 9.104.
The contractor:

- ___ Has an ability to meet the delivery or performance schedule
- ___ Has a satisfactory performance record (RYG) (CPARS)
- ___ Does not appear on the "List of Parties Excluded from Federal Procurement and Nonprocurement Programs" and is otherwise qualified and eligible to receive an award under applicable laws and regulations. <http://epls.arnet.gov>

FAIR AND REASONABLENESS PRICE DETERMINATION

- ☐ Adequate Price Competition. ___ vendors were solicited and ___ quotes were received. After comparing the quoted prices, I consider the quotes to be competitive. See the record of price quotes received.
- ☐ Commercial catalog or Published Price List

Manufacturer/vendor name _____

Catalog/List title or number _____

Effective date(s) _____

Page number(s) _____

SIMPLIFIED ACQUISITION DOCUMENTATION RECORD

However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price.

- ☐ Established Market Price or Prices Set by Law/Regulation
The quoted price is the same as the established market price or the prices set by law or regulation as verified by:

- ☐ Historical Comparison for the same or similar items:

Prior Contractor:

Order No: _____ Date Purchased _____

Quantity and Unit of Issue: _____

Unit Price Previously Paid: _____

Basis for determining prior price reasonable:

If the item(s) are not identical, explain why the comparison is considered valid: _____

- ☐ Other Price Analyses or Comments:

- ☐ FOB DEST/ORIGIN. Have all transportation factors been considered in making the award, including TOTAL Cost to destination.

Prepared

By _____ Date: _____

Contracting Officer Signature _____

Date: _____

JUSTIFICATION FOR SOLE SOURCE (Simplified Acquisitions <\$100K)

The service or material listed on (Document number) _____ is sole source and competition is precluded for reasons indicated below. There are no substitutes available for this material.

Restricted to the following source. Provide original manufacturer's name. (If a sole source manufacturer distributes via dealers, ALSO provide dealer information.)

Manufacturer:

Manufacturer POC & Phone Nr.

Mfr.

Address _____

Manufacturers _____

Dealer/Rep _____

Dealer/Rep Address/Phone _____

Number _____

Description of the item or service required, the estimated cost, and required delivery date.

Specific characteristics of the material or service that limit the availability to a sole source (unique features, function of the item, etc.). Describe in detail why only this suggested source can furnish the requirements to the exclusion of other sources.

The requested material or service represents the minimum requirements of the government.

CHECK & FILL IN ALL APPLICABLE BLANKS BELOW

The material/service must be compatible in all aspects (form, fit and function) with existing systems presently installed. Describe the

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Equipment you have now and how the new item/service must coordinate, connect, or interface with the existing system.

____ A patent, copyright or proprietary data limits competition. The proprietary data is _____

____ These are "direct replacements" parts/components for existing equipment.

____ Other information to support a sole-source buy:

I CERTIFY THAT STATEMENTS CHECKED, AND INFORMATION PROVIDED ABOVE, ARE COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT THE PROCESSING OF THIS SOLE-SOURCE JUSTIFICATION PRECLUDES THE USE OF FULL AND OPEN COMPETITION.

Signature _____
Activity _____

Title _____
Date _____

Contracting Officer Signature _____
Date _____
SAP Sole Source _____

CHAPTER 6

EVALUATING QUOTATIONS FOR AWARD

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisition and Managing Contracting Offices using Simplified Acquisitions.

We are now in the step of the acquisition process in which we are going to evaluate the quotations received from vendors based on our solicitation. This chapter will discuss the procedures available for contracting officers/buyers to use in evaluating the responses from vendors and suppliers in the marketplace. The evaluation stage of the procurement process is important because within this process the prospective contractor's quotations are reviewed to determine if the contractor correctly responded to the solicitation (are responsive) and meet any selection criteria we have established within the solicitation.

1. Scope. This chapter prescribes procedures that may be used when evaluating all quotations but in particular those quotations which exceed the micro-purchase threshold. These procedures apply to the acquisition of both commercial and noncommercial items as provided in other chapters of this instruction.

2. Evaluation of Quotations. Contracting officers and buyers should effectively evaluate quotations to ensure that awards are made to the contractor who is responsive to the solicitation, responsible in terms of ability to perform (see FAR subpart 9), and offers the supplies and services at a fair and reasonable price. In evaluating quotations, the contracting officer/buyer must be impartial, consider transportation charges as appropriate, use only the basis for evaluation established in the solicitation and consider all quotes received.

Methods to evaluate quotations include but are not limited to the procedures set forth in the following paragraphs. Contracting officers/buyers may evaluate quotations based on price alone or price and other factors (e.g., past performance, delivery, quality, etc.). Suppliers must be advised when quotations are solicited and award will be made on a basis other than price alone. Those factors must be identified in the solicitation. In addition to the price evaluation techniques discussed later in this chapter including the additional evaluating factors identified in the solicitation, other factors that effect the total price paid that should be considered in the evaluation process include:

a. Minimum Order Charges. Occasionally an item can be obtained only from a supplier who quotes a minimum price or quantity that exceeds the price or quantity stated on the purchase request. In these circumstances, the buyer should inform the requester of the minimum price or quantity charges and obtain their approval to alter the quantity and obtain additional funds if required. The total evaluated price must include any minimum order or quantity charges.

b. Packing/Packaging Charges. Quotes should be solicited based on commercial packing and packaging practices unless the requester has indicated on the purchase request that special handling is required. If the quoter includes separate charges for special packing and packaging requirements, the buyer must include those charges in the total evaluated price.

c. Special Marking Charges. Some purchase requests include instructions for special marking requirements (e.g., Department of Navy Seal, special marking, other than commercial bar coding, etc.). If the quoter includes separate charges for the required marking, the buyer must include those charges in the total evaluated price.

3. Evaluating Quotes for Multiple Awards. Multiple awards (i.e., issuing several POs or BPA calls for a multiple line item purchase request) should be made if doing so is economically advantageous to the Government and has been authorized by including the appropriate award clause in the solicitation. The decision to award multiple orders should be based on a realistic cost developed by the contracting office based on the administrative cost of issuing additional awards. Prior to soliciting the requirement, the contracting officer/buyer may make a determination to include a restriction in the solicitation that only authorizes subsequent awards on an all or none basis.

4. Award Based on Factors Other Than Price. Contracting officers may make awards using SAP based on factors other than the lowest delivered price. Those factors must be identified in the solicitation with adequate documentation in the purchase file supporting the inclusion of those factors. The factors should reflect the Government's specific requirement(s) that are other than price related. The emphasis should be on obtaining the best overall value for the Government, price and all other factors considered. Examples of these factors include but are not limited to:

a. Delivery. The requester may provide instructions via the purchase request that delivery is a critical factor in choosing the prospective contractor. If a requirement is determined to be urgent, the contracting officer/buyer must identify delivery in the solicitation as a qualifying factor.

Some valid examples of urgency would be situations involving work stoppages, ship departures or a safety or hazardous condition that would impair the mission of the command. In evaluating quotations for award, the contracting officer/buyer must evaluate the contractors quoted delivery time along with the price to determine who will receive the eventual award. The contractor offering the best guaranteed delivery would be awarded the order. The purchase file must include documentation supporting the decision to pay the additional amount for expedited or guaranteed delivery.

b. Past Performance. Past performance should be an important element of every evaluation and award for both commercial and noncommercial items. Past performance can be a valuable tool in predicting current contractor performance. Indicators of past performance that the contracting officer/buyer may request and use in their evaluation of the contractor may include previous contracts/POs with Government agencies (DOD/DON/civilian agencies), contracts with state or local governments and contracts with commercial concerns. The contracting officer may also consider their own knowledge and previous experience with the item being purchased, customer surveys and any other pertinent information that would assist in the evaluation of the contractor's past performance. One method of evaluating past performance is the use of the Red-Yellow-Green Program that is explained later in this chapter. The contracting officer/buyer may request that the contract provide relevant information on past performance, contacts at other Government agencies or commercial concerns as noted above.

Contracting officers/buyers should ensure that the information gained when utilizing past performance as an evaluation factor for award is not incorrectly used to determine contractor responsibility (refer to FAR subpart 9). Contracting offices should maintain adequate records of contractor performance to be utilized in future procurements as well as to share with other Government agencies.

c. Quality. The contracting officer/buyer may include in the solicitation quality as an evaluation factor in the solicitation. This may include a reference to the purchase description or performance statement of work identifying critical quality elements the requested supply or service must meet (i.e., shelf life of the product, maintenance-free operation, education and experience of personnel providing the service). Additionally, this may include an evaluation of past experience with the contractor on how well he/she has complied with contract requirements and whether past products or services conformed to the standards of good workmanship. When using quality as an evaluating factor, the buyer should look at the product or service being offered by the contractor and ask the following questions:

(1) Will the product or service being offered conform to our requirement? Does it meet the quality workmanship standards we have established?

(2) Does the contractor have a history of providing conforming or non-conforming supplies or services?

(3) Has the contractor previously stood by his product or service? (warranties, etc.)

(4) Do we have any customer service surveys or customer information on hand regarding the quality of workmanship provided in previous deliveries by the contractor?

d. Timeliness. When using timeliness as a factor in award, we are evaluating the contractor's history in on-time delivery. Has the contractor consistently adhered to the established delivery schedule?

e. Technical Capability. This factor examines the capability of the contractor and offered product (supply or service) to meet the requirement. When using technical capability as an evaluation factor, the contracting officer/buyer will require the input of the requirer/customer to determine if the offered supply or service meets the requirer's needs. This review may include an examination of product literature, product samples (if requested), technical features, warranty provisions or an evaluation of the type and kind of personnel offered to perform the service.

f. Business Practices. If the contracting officer/buyer uses business practices as an evaluation factor, consideration should be given to past experiences from customer and CORs who have worked with the contractor before and have knowledge of their business practices. Site surveys and pre-award surveys may be the best source of information on specific business practices affecting the promised supply or service.

5. Navy Red/Yellow/Green Program. The Red/Yellow/Green (RYG) Program is a web-enabled Navy tool designed to help reduce the risk of receiving nonconforming products. RYG classifies the degree of risk by assigning a color to a contractor's historical product quality and delivery performance in individual FSC traffic light symbols are used as indicators of a prospective quoters/offers past performance. FSC RYG classifications for past performance are as follows:

Red = High Risk

Yellow = Moderate Risk

Green = Low Risk

Neutral = No Risk (used for first time suppliers or a FSC when no data is available in the RYG database or data in RYG for the FSC over 2 years old)

a. RYG is only used for competitive and negotiated acquisitions. It does not apply to sole source acquisitions and does not classify a company. Rather, it classifies a company's past performance in a specific FSC.

b. RYG provides the Government's true cost when evaluating supplier's prices. RYG automatically performs a risk assessment, applies an evaluation factor to each quote having a red, yellow or green FSC RYG classification and makes an award recommendation. The evaluation factor called a Technical Evaluation Adjustment (TEA) represents the estimated costs or savings to the Government for doing business with each prospective supplier.

The TEA is a dollar figure added to the quoted price for a red or yellow FSC classification or subtracted from the quoted price for a green FSC classification. Standardized TEAs, when applicable, are applied for both quality and delivery classifications.

c. The RYG Program uses a comparative analysis to select the supplier offering the greatest value to the Government. It may displace a low quoter who has a history of poor performance in quality, delivery and other factors. The comparative analysis should not be confused with making a determination of responsibility required by FAR subpart 9.

d. When a synopsis is required, it must include a notification that RYG will be used during the evaluation process. The synopsis should state that, while price is a factor in evaluating quotations, the final award decision will be based on a combination of factors, including the past performance of the supplier who's quoted price is being evaluated. For all simplified acquisitions that will use RYG for source selection/evaluation of prices, the following clauses must be included in the solicitation:

(1) Section L (or appropriate section of the request for quotation): 5252.213-9401 Notice to Prospective Suppliers (APR 2003)

(2) Section M (or appropriate section of the request for quotation): 5252.213-9402 Additional Evaluation Factor For Consideration of Past Performance-Navy Red/Yellow/Green Program (APR 1999)

If oral solicitations are used, the suppliers must be notified that RYG will be used in the evaluation of quotations. The

applicable RYG clauses shall be made available to all prospective suppliers upon request.

e. The RYG software for simplified acquisitions can be accessed through the following website address at <https://www.nslcptsmh.navsea.navy.mil/ryg.htm>.

This website connects you to the Naval Sea Logistics Support Center (NSLC) Detachment Portsmouth Home Page where you can access the Application section under Products and Services. From there you would enter the user access request form and submit it electronically. Please call the automation manager at 603- 431-9469, extension 497 or DSN 684-1690, extension 497 for additional information regarding the use of RYG.

6. Price Evaluation. It is the responsibility of the contracting officer/buyer to ensure that every purchase is made at a fair and reasonable price and that the Government gets what it pays for in terms of quality and delivery.

a. What is a Fair and Reasonable Price? A fair and reasonable price is a price that is fair and reasonable to both parties (DON and the contractor), considering the promised quality and timeliness of the contractor's performance. In any given procurement action, there is rarely a single price that is fair and reasonable to all parties. More than likely there will be a range of prices that are fair and reasonable under the immediate circumstances considering the character of the marketplace in which the supply or service is normally sold and the degree of competition available. Therefore, you should consider current market conditions in determining if a quoted price is fair and reasonable.

b. Price Analysis. When awarding procurements using SAP, the conclusion that a price is fair and reasonable is generally based on price analysis. Price analysis is the process of examining and evaluating a prospective price without considering the estimated cost of the elements and proposed profit of the quoter whose price is being evaluated. In many cases, price analysis uses comparisons to establish a basis for determining price reasonableness. The price analysis techniques normally employed when evaluating quoted prices on simplified acquisition requirements are discussed below in paragraph 7.

7. Price Analysis Techniques

a. Primary Techniques. Primary price analysis techniques are pricing methods that can stand alone and normally require no further information or analysis by the contracting officer/buyer.

(1) Price Competition. Effective or adequate price competition exists when quotations are solicited from a

reasonable number of sources, (as a minimum at least three sources should be solicited) and at least two quotations that meet the requirements of the solicitation are received from contractors who independently contend for the award. When these conditions are met, the contracting officer/buyer should normally find a fairly tight cluster of quotations. This is often referred to as a competitive range.

The proximity of the range of prices would provide the contracting officer/buyer an indication that effective/adequate price competition has been obtained and the award can be made without additional comparisons. If the quoted prices vary significantly, it could mean a quoter is efficient and has obtained quantity discounts for the item being purchased that are being passed on, or he/she is trying to buy-in with an unrealistic low price or has provided a mistaken quotation. In cases where price analysis does not adequately confirm price reasonableness, the contracting officer/buyer must obtain additional information and perform further analysis to support a determination that the price is fair and reasonable. In addition, based on past experience and personal judgment, the contracting officer/buyer must make analysis of the real worth of the quoted item. For example even if the range of prices for 5 gallons of latex paint was \$150.00, \$165.00 and \$170.00 the prices on the surface are obviously not fair and reasonable and require further analysis.

(2) Established Catalog or Market Prices. When only one quote is received or price competition is otherwise determined inadequate, the buyer must use other price analysis techniques to determine the quoted prices to be fair and reasonable. The use of established catalog or market prices is one valid comparison that can assist the contracting officer/buyer in reaching a valid determination that the quoted prices are fair and reasonable. Contracting officers/buyers should be aware that established market prices or catalog prices by themselves do not establish price reasonableness. Additional price analysis should be performed using other available techniques to verify the validity of the catalog or market prices. The use of catalog or market prices can be a valid comparison provided the catalog or market price meets the following criteria:

(a) An established catalog price is a price included in a catalog, price list, schedule or other form that is regularly maintained by the vendor, published or otherwise made available for inspection by customers. It states prices at which sales are currently or were last made to a significant number of persons or businesses constituting the general public.

(b) An established market price is the price established in the normal course of business between buyers and sellers in the commercial marketplace. It must be established

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independently of the manufacturer or vendor. Market prices can generally be verified through newspaper, radio or television advertisement, etc.

(c) The item being purchased must be a commercial item that is regularly used for other than governmental purposes and is sold or traded in the course of normal operations.

(d) Supplies are sold in substantial quantities when the facts or circumstances support a reasonable conclusion that the quantities regularly sold are sufficient to constitute a real commercial market for the item. Nominal quantities like models, specimens, samples and prototype or experimental units do not meet this requirement.

(e) The services are sold in substantial quantities and are customarily provided by the company with personnel regularly employed and with equipment, if any is needed, regularly maintained either solely or principally to provide such services.

(f) The item must be sold to the general public. Generally an item is considered sold in the general marketplace when it is used by other than Government offices/personnel.

(3) Prices Set by Law or Regulation. The contracting officer's/buyer's price evaluation job is relatively simple if the price quoted is set by law or regulation. The quoter is required to identify the regulated price. The buyer must ensure the quoter is the entity being regulated. Some suppliers sell mostly to regulated industries and are subject to the laws and regulations governing sales to those industries. Sales to the federal Government may not be subject to those laws or regulations. If federal Government sales are not controlled by such legally established prices, the buyer should use the established catalog or market price technique.

b. Secondary Price Analysis Techniques. Secondary pricing techniques are techniques that are used to support primary techniques when those have been determined to be ineffective or inadequate.

(1) Historical Comparisons. Historical comparisons of previous quotations or contract prices with current quotations for the same or similar items can be an effective tool to support a determination that the quoted price is fair and reasonable if the following criteria is met:

(a) The prior purchase price was determined in writing to be fair and reasonable. When comparing the quoted price to a previous contract price or quotation, the buyer needs to evaluate the competitive environment shaping the prices.

Purchase quantity, delivery time, transportation charges and special packaging all affect the quoted price.

(b) The buyer should select the most recent prices available. The greater the time difference, the less reliable the comparison of the prices may be.

(c) The buyer should select previous buys that had identical or similar quantities. Since large quantity differences can make the comparison less reliable, the buyer should explain how he/she arrived at the decision prices were comparable despite the variations in the quantities being compared.

(2) Independent Government Estimate (IGE)

(a) A quoted price may be compared to a reliable, supported and documented IGE if the primary analysis techniques have proved inadequate. The contracting officer/buyer must evaluate the supporting documentation provided by the requirer/customer (i.e., engineer, technical POC, etc.) to determine how the IGE was derived. The documentation should include a validation of the amount of labor effort required, the type of materials, any travel or other direct costs.

(b) The purchase request estimate can be a valid standard for comparison if the originator used a reasonable past purchase price (including the previous purchase price paid and quantity) or other pricing information and identifies where the information was derived.

(c) The requiring activity can perform a technical analysis of the item being purchased as a basis to establish price reasonableness. The technical analysis should provide supporting documentation explaining the basis of the analysis and/or when the price is considered fair and reasonable.

c. Auxiliary Pricing Techniques. When the contracting officer/buyer finds the primary and secondary pricing techniques ineffective or inadequate, he/she may use auxiliary pricing techniques to support a determination of fair and reasonable pricing. These techniques should be used in support of and in conjunction with one of the other methods identified above.

(1) Value Analysis. A value analysis can corroborate or challenge conclusions developed after the other analyses are performed. Value analysis attempts to develop the intrinsic worth of a product or service. This analysis may help a contracting officer/buyer justify a price offered by a sole source or explain differences between past buys and present quotes. To use value analysis, the buyer/contracting officer

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will need to obtain additional information from the customer and/or the contractor (e.g., intended use, any special manufacturing processes or treatments which would support a higher price, cost of the end item that is inoperable because of a missing part). With the assistance of the customer and contractor, you must carefully review the Government's requirement and answer the following questions where applicable;

- (a) What does the product have to do?
- (b) What does it cost now? What prices did we pay previously? What does it cost to operate and maintain?
- (c) Is it part of a larger system or product? What is the cost of the system or product?
- (d) What is the affect on mission accomplishment without the availability of the item? (Expressed in terms of dollars and cents.)

(2) Price Breakdowns. A second auxiliary pricing technique is the use of price breakdowns. This will require obtaining additional pricing data from the contractor. Some questions that the contracting officer/buyer should ask to obtain price breakdown information would be:

- (a) What does the contractor pay for the item? What added value does he/she provide? (i.e., re-packing, marking, bar coding).
- (b) What are the components or elements of the contractor's pricing?
- (c) How much does he/she pay the personnel providing the service? What are the basic labor rates?

The cost information obtained from these and other applicable questions may only be used to supplement the other primary and secondary techniques.

(3) Parametric Analysis (rough yardsticks). Cost Estimating Relationships (CERs) are sometimes used to develop parametric estimates or rough yardstick estimates with which to support a determination that the price is fair and reasonable. A CER is a formula for estimating prices based on the relationship of past prices with one or more product, physical or performance characteristics (e.g., dollars per pound or dollars per horsepower). Whenever you can relate item price with a value of one or more physical or performance characteristics, you can use the relationship to estimate the price of the same or similar product. For example, builders

commonly estimate the price of a planned building by multiplying the number of square feet in the building by an estimated cost per square foot. When using CERs, the contracting officer/buyer must ask themselves three questions.

(a) Has the CER been widely accepted in the marketplace (i.e., widely accepted by both buyers and sellers)?

(b) Does the CER produce reasonable results? (The user has the burden of proving that the rough yardstick produces reasonable estimates.)

(c) How accurate is the CER? (The buyer should validate using known product data and prices.)

If the contracting officer/buyer cannot make a valid determination that the quoted price is fair and reasonable, he/she should request assistance from a regional contracting activity, Defense Contract Management Command, Defense Contract Audit Agency, Navy Price Fighters or an in-house price analyst.

d. Written Determinations of Fair and Reasonable Pricing. Regardless of the price analysis methods used, all purchase actions over the micro-purchase threshold must be accompanied by a written determination by the contracting officer that the awarded price is fair and reasonable. The contracting officer/buyer should provide adequate documentation to support a determination that the awarded price is fair and reasonable. A sample of a pricing justification form is provided at the end of this chapter.

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(DATE)

FAIR AND REASONABLE PRICE DETERMINATION

Ref: Purchase Request/Solicitation Number _____

1. I am recommending award to XXXXXXXX. I used one or more of the following price analysis techniques compared to the quoted price of \$ _____. The quoted price was similar enough to the comparative price(s) to conclude that the quoted price is determined fair and reasonable.

a. Adequate Price Competition. XX vendors were solicited and XX quotes were received. After comparing the quoted prices, I consider the quotes to be competitive. See the Simplified Acquisition Worksheet or other record of price quotes received.

b. Commercial Catalog or Published Price List

(1) Manufacturer/Vendor's Name: _____

(2) Catalog/List Title or Number:

(3) Effective Dates:

(4) Page Number(s):

(5) Catalog/List Prices: _____

The quoted price is the same as the catalog or published price(s) noted above and reflects prices charged to customers buying the same or similar quantities.

The quoted price is higher/lower than the catalog or published price list and is considered fair and reasonable under the circumstances of this acquisition. The decision is based on the following factors:

c. Established Market Price or Prices Set by Law/Regulation. The quoted price is the same as the established market price or the prices set by law or regulation as verified by:

d. Historical Comparison for the Same or Similar Item(s)

(1) Prior Contractor:

(2) Order No:

(3) Date purchased:

(4) Quantity and Unit of Issue:

(DATE)

FAIR AND REASONABLE PRICE DETERMINATION (Cont'd)

(5) Unit Price Previously paid: _____

e. Basis For Determining Prior Price Reasonable: _____

If the item(s) are not identical, explain why the comparison is considered valid: _____

Other Price Analyses or Comments: _____

- a. Value analysis
- b. Price analysis
- c. Parametric analysis

2. As the contracting officer for this pending award, I have reviewed the above pricing documentation and do hereby make the determination that the price of the suggested quote is fair and reasonable. I authorize the buyer to proceed with the award.

PREPARED BY: _____

(Buyer signature and date)

APPROVED BY: _____

(Contracting Office signature and date)

CHAPTER 7

Awarding Simplified Acquisitions

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices Using Simplified Acquisitions.

We are now in the step in the acquisition process in which we are going to award the solicited and competed requirement to the responsive and responsible contractor. This chapter will discuss the SAP available to contracting officers/buyers when awarding orders to the successful contractor. In addition, this chapter will discuss several unique contracting areas including awarding micro-purchases, contracting with small business concerns and using SAP above the SAT. The award stage of the procurement process is important because it finalizes our negotiations with the contractor resulting in the Government making an offer to the contractor to provide the required supply or service.

1. Scope. The scope of this chapter is to provide guidance on the various policies and procedures established for awarding requirements using SAP.

2. General. The policies and procedures authorized in this chapter for awarding purchases using SAP are discussed in the following chapters.

a. Chapter 7A Simplified Acquisition Methods

Section I: Imprest Funds

Section II: Government-wide Commercial Purchase Card

Section III: Blanket Purchase Agreements

Section IV: Purchase Orders

b. Chapter 7B Awarding Micro-purchases

c. Chapter 7C Contracting with Small Business

d. Chapter 7D Using SAP Procedures Above SAT.

3. Policy. Contracting officers/buyers shall make purchases in the simplified manner that is most suitable, efficient and economical based on the circumstances of each acquisition. Among other considerations, contracting officers shall promote

competition to the maximum extent practicable, establish deadlines for the submission of responses to solicitations that afford suppliers a reasonable opportunity to respond, consider all quotations or offers that are timely received and use innovative approaches to the maximum extent practicable. Simplified acquisitions (other than UPO) shall be issued as firm-fixed price actions unless the activity has received DON's authority to deviate from this instruction.

a. Contractor Responsibility

(1) The award of a requirement using SAP to a supplier based solely on the lowest evaluated price can be a false economy if that award results in late deliveries, incorrect shipments, subsequent default or other elements of unsatisfactory performance causing DON to incur additional purchasing or administrative costs. While it is important that Navy purchases be made at the lowest practicable price, this does not require an award to a supplier solely because the supplier submits a lowest quote without the apparent ability to successfully perform.

(2) In awarding simplified acquisitions, the contracting officer should, at a minimum, ensure that the contractor:

(a) Has a satisfactory performance record;

(b) Represents that he/she will comply with the labor laws applicable to the order;

(c) Is not/has not been listed as suspended, debarred, proposed for debarment or declared ineligible in the publication entitled List of Parties Excluded from Federal Procurement or Non-procurement Programs; and

(d) Is otherwise qualified and eligible to receive the award based on other standards set forth by the Government when necessary.

(3) In addition, the purchase file should adequately reflect the contracting officer's decision regarding the responsibility of the contract award to the proposed contractor.

b. Selecting the Award Method. Contracting officers may use the purchase method that is most suitable, efficient and economical for the instant purchase action. Simplified acquisitions may be awarded using any of the methods provided for in FAR subpart 13, DFARS subpart 213 and NMCARS 52.213 and this instruction. Detailed guidance on the use of these methods can be found later in this chapter.

c. Synopsis of Contract Award. Simplified acquisition awards in excess of \$25,000 subject to the Trade Agreements Act or likely to result in any subcontracts must be synopsisized in FEDBIZOPPS. A notice is not required if the contract action:

(1) Is for an amount not greater than the simplified acquisition threshold;

(2) Was made through a means where access to the notice of proposed contract actions was provided through the GPE; and

(3) Permitted the public to respond to the solicitation electronically.

The contracting officer should document the purchase file with the reason for not synopsisizing the contract award where these exceptions do not apply.

d. Notification of Unsuccessful Quoters. In simplified acquisitions, notification of unsuccessful quoters is generally only provided if requested. Only the name of the awardee (i.e., successful quoter), the award price, including discount terms and a brief explanation of the basis for award if factors other than price were evaluated, should be included in the notification.

e. Streamlined Practices

(1) Source lists. Each contracting office should maintain a source list(s) as provided in Chapter 5 of this instruction. An alternative to the use of source lists is the use of CCR website <http://www.ccr.gov>, select the "Dynamic Small Business Search" button. The CCR website should be used to identify small, small disadvantaged and women owned business in various geographical areas. Used in conjunction with Chapter 7C of this instruction, it can be a tool to reduce the cycle time required to issue solicitations and award simplified acquisitions to small businesses.

(2) Standing Price Lists. Contracting offices may facilitate the award of repetitive requirements by establishing standing price lists with prospective contractors. Contracting offices should maintain standing price lists with at least three vendors in each commodity to facilitate competition among vendors in the respective categories. Where appropriate, the contracting officer/buyer will use the standing price list in lieu of soliciting competitive quotation when the following conditions apply:

(a) The pricing information is current; and

(b) The Government obtains the benefit of maximum discounts before award.

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When utilizing standing price lists, the contracting officer will review the prices found on at least three standing price lists maintained in the contracting office for that commodity and issue an award to the contractor offering the lowest price/best value to the Government. Contracting offices must periodically review standing price lists to ensure that the prices are current and that the vendors continue to provide the required supplies at the agreed upon prices. Standing price lists can be used in conjunction with any of the simplified acquisition methods noted later in this chapter.

(3) Reverse Auction Techniques. A streamlined practice that is in the tool-kit of contracting officers/buyers using SAP is the use of "reverse auctioning techniques." Reverse auction pricing is a method that allows the Government to reveal to each offeror the prices (anonymously) of all the other offerors. Offerors then have the opportunity to continually revise their prices as each revision is made known to all of the offerors. The process is repeated until offerors stop revising their prices or until the close of the auction. Two significant events have permitted the conduct of reverse auctions by the Government. First, the FAR no longer prohibits price auctioning during negotiations. Second, internet capabilities and the availability of on-line auction tools have provided the technology to conduct web based reverse auctions with visible, anonymous and real time bidding that can be accomplished within hours.

Reverse auction pricing is not specifically identified in the FAR. However, reverse auction pricing can be accomplished within the context of discussions under FAR Part 15 as well as the method of receiving offers, price quotes or conducting competition/negotiation under FAR Part 8, FAR Part 12 and FAR Part 13.

Information about this pricing technique is available on the Naval Logistics Library at <http://www.nll.navsup.navy.mil/>, NAVSUP Pub 729. Additionally, the NAVSUP/NAVICP website <http://www.auctions.navy.mil/> provides further detail.

CHAPTER 7A

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices Using Simplified Acquisitions.

We are now in the acquisition process in which we are going to make an offer to the contractor based on his/her quotation using one of the SAP identified within Chapter 7A. This chapter will discuss the use of Imprest Funds, Blanket Purchase Agreements (BPA) and POs. The contracting officer/buyer should use the simplified acquisition procedure most effective for the customer requirement. Customer out-reach programs and acquisition planning can be of great assistance when evaluating what method is most effective for any one commodity of requirements. Contracting offices should meet with customers to define both long-term and short-term requirements to determine the method that would best fit the circumstance.

CHAPTER 7A

Section I

Imprest Funds

1. Scope. This chapter will provide guidance on establishing and operating imprest funds within DON.

2. Policy

a. Operation and Establishment. The Office of the Under Secretary of Defense, Comptroller (OUSD(C)) memo of 28 March 1996 directed the elimination of imprest funds within the DOD. The Assistant Secretary of the Navy for Financial Management and Comptroller (ASN(FM&C)) memo of 25 April 1996 implemented this policy for the Navy. The operation of imprest funds for unclassified programs at CONUS and OCONUS locations has not been authorized since 1 October 1997.

b. Exceptions. Requests for waivers to the policy prohibiting establishing and operating imprest funds may be granted by OUSD(C) for contingency operations and for exceptional circumstances. Requests shall be submitted to OUSD(C) via the Naval Supply Systems Command (Code 02) and (ASN(FM&C)). Each request must provide adequate justification and demonstrate that the use of the GCPC, accommodation checks, the Government Travel Card, Electronic Funds Transfer (EFT) or other reasonable alternatives is not practicable.

3. General

a. An imprest fund is a cash fund of a fixed amount established by an advance of funds from a finance or disbursing officer to a duly appointed cashier without charge to an appropriation. The purpose of the fund is to simplify and expedite the payment process for purchase of supplies or services by allowing the cashier to disburse cash as needed to pay for purchases normally not exceeding \$500.

b. An imprest fund purchase is a micro-purchase action by a contracting officer which authorizes a cash payment, normally not exceeding \$500, by an imprest fund cashier for authorized supplies or services delivered to a Navy representative at a specified location. The purpose of this micro-purchase method is to streamline the purchasing and payment procedures for nominally priced acquisitions.

4. Procedures for the Operation and Maintenance of Imprest Fund Accounts

a. Scope. This paragraph provides guidance for DON

activities properly authorized per paragraph 2(b) above to use the imprest fund to purchase supplies or services.

b. Conditions for Use. An imprest fund purchase may be made when all of the following conditions exist:

(1) The transaction does not exceed \$500. In support of contingencies declared by the Joint Chiefs of Staff (JCS), overseas imprest fund purchases may be made for an amount not exceeding \$2,500;

(2) The use of the imprest fund is considered to be advantageous to the Navy;

(3) Supplies or services are available for delivery within 60 days to the specified destination or to a Navy representative at the contractor's place of business; and

(4) The purchase does not require detailed technical specifications or technical inspections.

c. Establishing an Imprest Fund

(1) Authorization Letter. The authorization to establish an imprest fund shall be in writing, signed by the head of the activity (i.e., commanding officer, director, etc.) or chief of the contracting office and shall set forth the maximum amount of the fund. The authorization letter (original copy) issued to establish the imprest fund should be retained by the imprest fund cashier. A copy of this letter shall be forwarded to the Disbursing Office and when required by the HCA, to the regional PPMAP Team, responsible for oversight of the activity. Activities shall not establish or maintain more than one imprest fund unless written authorization is provided by OUSD(C). In no event shall an imprest fund cashier or alternate have access or control of more than one fund or concurrently appointed to any other accountable position.

(2) Amount of Fund. The maximum amount of cash in an imprest fund that has been authorized by OUSD(C) shall not exceed the estimated average monthly disbursements from the fund and in no case shall it exceed \$10,000. During periods of contingency operations, as specified by the JCS, the designated area commander may increase the limitations on imprest fund transactions to \$2,500 and the fund ceiling to \$100,000 per imprest fund.

(3) Appointment of the imprest fund cashier

(a) Any officer, enlisted person or civilian employee of a DON activity (who is not responsible for

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originating, approving and processing requirements) may be appointed as the imprest fund cashier or alternate unless the individual:

1. Is a disbursing officer, works in the disbursing office, is a certifying officer or works in fiscal office; and

2. Is responsible for originating, approving and processing requirements (the imprest fund cashier cannot be a buyer).

(b) The head of the activity or if designated the chief of the contracting/purchasing office shall appoint the imprest fund cashier in writing. The appointment letter shall contain the information required by the DOD 7000.14-R, Financial Management Regulation, Volume 5, Chapter 2. The letter should contain:

1. Name, rank, or grade of the individual and duty station;

2. Identification of the disbursing station for which the cashier will act (including the accounting or fiscal station number assigned, if applicable);

3. Description of the specific duties to be performed;

4. Effective date of the appointment;

5. Amount and location of fund;

6. The cashier's acknowledgement of acceptance of the appointment and signed statement, "I acknowledge that I am strictly liable to the United States for all public funds under my control," and

7. A statement that the individual has been counseled regarding the pecuniary liability associated with the position and has been given written operating instructions.

The appointment document and approval for establishment of the imprest fund shall be maintained in a permanent file. Two copies of the documents shall be furnished to the cashier and one copy each to the disbursing office and the installation or activity contracting office.

(4) Appointment of Alternative Cashier. The process for appointing the alternate cashier is the same for the principal cashier. The alternate shall only serve as an imprest fund cashier during the absence of the principal cashier.

(a) Planned Absence. In the event of a planned absence of the principal imprest fund cashier, the principal will advance cash to the alternate in any amount up to the established limit of the fund. The principal shall receive a receipt for the cash advanced and upon return of the principal shall exchange this receipt for the various subvouchers, vouchers and receipts and residual cash held by the alternate. In this scenario, the alternate operates with all or an allotted portion of the principal's imprest fund.

(b) Unplanned Absence. This would include absences such as sick leave, family emergencies, etc. During unplanned absences, the alternate will operate as the principal cashier, using his/her own fund. Based on the authorization letter provided to the alternate imprest fund cashier, the disbursing officer will advance to the alternate cashier funds not in excess of the maximum of the fund. The alternate may be issued the maximum amount of the established fund even if the principal cashier has the maximum amount already secured in his/her safe. When the unplanned absence ends, the alternate cashier will turn in the residual cash and other documents supporting and accounting for the expended funds to the disbursing officer. The alternate cashier shall not retain any amount of the imprest fund when the principal cashier is present.

(5) Revisions and Revocations. Revisions and revocations of the appointment of the principal or alternate shall be issued in writing, addressed to the specific cashier and show an effective date.

(6) Advance of Funds to Imprest Fund Cashier. Funds to establish an imprest fund shall be advanced by the disbursing officer serving the activity with the imprest fund cashier. A signed copy of the letter appointing the imprest fund cashier and a copy of the approval to establish the fund shall be furnished to the disbursing officer at the time the cashier first obtains the advance of funds. If the average monthly dollar value of the imprest fund purchases decreases and the authorized amount of the fund is greater than required, imprest fund cashiers shall draw only the amount of funds justified by the volume of purchases made. However, this should not be construed as a limitation on funds available to the imprest fund cashier when seasonal or other factors justify an amount greater than indicated by this method of computation.

(7) Safeguarding Imprest Funds. Cash and disbursement documentation shall be safeguarded properly at all times. Principal and alternate cashiers shall have separate safes per DOD 7000.14-R Volume 5, Chapter 3. Imprest funds may not be commingled with other cash funds (e.g., disbursing funds, change funds or cash receipts for other funds). Cashiers must be held accountable for the full amount of funds being held at any given

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time. Receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund shall be under the accountability of the responsible imprest fund cashier, together with the cash on hand in support of the total amount of the fund.

d. Authorized Uses of the Imprest Fund. Imprest funds may be used to pay for authorized supplies or services under the conditions discussed earlier. Imprest funds may also be used:

(1) To pay for delivery charges associated with the purchase when the contractor is requested to arrange for delivery. These charges include local delivery, parcel post (including Cash on Delivery (C.O.D.) postal charges) and line haul or inter-city transportation charges provided the charges are determined to be reasonable and acceptance is in the best interest of the Government. These delivery charges may include C.O.D. charges by the U.S. Postal Services or common carriers (e.g., UPS, Fedex). This also includes C.O.D. charges for supplies ordered for payment from the imprest fund;

(2) C.O.D charges for supplies ordered for payment from the imprest fund;

(3) Civilian volunteers for participation in approved medical research, and

(4) To pay for other expenditures not related to a micro-purchase when such expenditures are authorized by other regulations governing the use of imprest funds. These expenditures include:

(a) Travel advances when a disbursing officer is not available in the immediate area to affect payment, the use of the Government-wide travel card is impractical and no disbursing officer is available to effect payment;

(b) Local travel expenses (i.e., mileage allowance for travel in and around the permanent duty station not under travel orders) when a disbursing officer is not available;

(c) Transportation charges (not related to purchases); and

(d) Money Orders (when necessary, if a money order is required to):

1. Transmit collections for deposit;

2. Pay for an approved one-time purchase of books and periodicals;

3. Pay for catalog type items; and
4. Pay for fees for inter-library loan of professional books.
 - (e) Paying for postage stamps; and
 - (f) Paying for transportation passes or tokens
- e. Prohibited Uses of Imprest Fund. Imprest funds shall not be used for:
 - (1) Payments of salaries or wages;
 - (2) Travel advances except as authorized in subparagraph 4.d.(4)(a) above;
 - (3) Travel claims except as authorized in subparagraph 4.d.(4)(b) above;
 - (4) Payment of public utility bills;
 - (5) Cashing of checks, money orders or any other negotiable instructions;
 - (6) Purchase from contractors or contractor's agents who are military personnel or civilian employees of the Government;
 - (7) Repetitive purchases from the same contractor, where other methods of purchase, such as the GCPC or BPA would be more appropriate;
 - (8) Purchase of foreign items unless the applicable decisions of exception and documentation are made prior to the procurement (See Chapter 5); and
 - (9) Payment of On-the-Spot Awards.

f. Advances. The Interim Receipt for Cash portions of SF 1165 or equivalent receipt form will be used when the imprest fund cashier furnishes another employee with cash for making payments for material to be picked-up as described in paragraph 6(b) and (c) below. Cash may be advanced for a period not to exceed 7 calendar days when unusual circumstances exist (e.g., cash is needed by an employee for purchases when they are on extended absences from their command).

5. Imprest Fund Purchasing Procedures

a. General. Imprest fund purchases are made by buyers when Navy representatives are to pick-up the supplies at the contractor's place of business or when the contractor is advised

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to ship the supplies on an authorized purchase request document.

b. Oral and Written Orders. The imprest fund buyer will normally place the order by telephone. An order may be issued in writing using a NAVSUP Form 1321, Navy C.O.D. Order (available on the NLL). This form must be annotated to show a monetary limitation in the appropriate block and should be numbered per the subparagraph below.

c. Order Numbering. As prescribed in DFARS 204.70, imprest fund purchases should be assigned a 13 PIIN with a Y in the ninth position (e.g., N00023-96-Y-0001).

d. Documentation of Imprest Fund Purchases. The imprest fund purchase request, worksheet or other similar documentation sheets shall include the following:

- (1) Date of purchase,
- (2) Imprest fund order number,
- (3) Contractor's name and address,
- (4) Date of Delivery or pick-up,
- (5) Signature of the person making the purchase, and

(6) For money orders, attach a legible copy of the money order (showing the purchasing activity, payee and amount) to the purchase request. The date the money order was mailed must be indicated on the purchase request. In order for the imprest fund cashier to substantiate payment of the money order fee he/she should retain the original receipt from the money order purchase.

e. Contractor Sales Document. At the time of the purchase, the contractor will be requested to furnish a sales document. The contractor's sales document can be an invoice, sales ticket, packing slip or other sales instrument. The sales document must contain the contractor's name and address, list of items, quantity, unit and extended price, total price of all items, and cash discount, if any.

6. Delivery/Receipt Procedures. When the imprest fund buyer places an order, every effort should be made to obtain contractor delivery on a C.O.D. basis to a designated Navy receiving activity; however, delivery to Navy representatives at the contractor's place of business (i.e., Navy pick-up) may be authorized. The receiving procedures for each delivery method are discussed below.

a. C.O.D. Orders. All C.O.D. material, whether ordered over the phone or in writing, should be delivered to the designated location at the receiving activity. The receiver should examine the material to ensure that the quantities and items described on the imprest fund purchase record and the contractor's sales documents are present and in satisfactory condition. If the material is acceptable, the receiver should stamp the sales document received and accepted, date and sign the document and pass it to the imprest fund cashier for payment. The original copy (or copy tendered as an original) of this receipt document is to be retained by the imprest fund cashier. Any additional copies provided by the contractor must be destroyed. When material is shipped C.O.D and the United States Postal Service or other delivery service carriers prohibit the opening of packages prior to payment, inspection will be made promptly after receipt and subsequent to payment.

(1) Certification of Cash Payment. The original receipt document presented to the imprest fund cashier (or the Navy representative when Navy pick-up occurs) for payment should be annotated with a certification containing the following information.

(a) Statement that payment was received in full.

(b) Amount paid.

(c) Date of payment.

(d) Signature and title of the contractor's representative receiving the cash.

(2) Group Receipts. When considerable quantities of C.O.D. shipments are received via parcel post or other common carrier and the procedures outlined above are too time consuming and will cause an unreasonable delay to the C.O.D. carrier, imprest fund cashiers should consider an alternate method of payment. Payment should be made for the group shipment and the certification for cash payment may be made on the shipper's list of packages rather than on the individual sales documents. The individual sales documents will be attached to the certified list to support the payment for the group receipt. When no sales document accompanies a C.O.D. shipment, a copy of the purchase request will be stamped, "Vendor's Sales Document Not Tendered," and will be used to support group receipt.

b. Pick-up by Prior Arrangement. When C.O.D. deliveries are not practicable and activity representatives are to pick-up the material at the contractor's place of business, the buyer places an oral order over the phone and arrangements are made for a representative to pick-up and pay for the ordered

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material. The buyer will annotate the purchase request with the required ordering documentation previously delineated and follow the procedure outlined below.

(1) The documented purchase request should be delivered directly to the imprest fund cashier for an advancement of funds.

(2) The imprest fund cashier should advance cash to the person authorized to pick-up and pay for the ordered material.

(3) The individual receiving the cash advance should sign the Interim Receipt for Cash portion of the SF 1165.

(4) At the time of pick-up and payment, the person paying for the material will obtain the contractor's certification for cash payment on the original (or copy tendered as original) of the contractor's sales document. Any additional copies of the document must be destroyed. If a sales document is not issued for the sale, the contractor's certification for cash payment will be obtained on the SF 1165.

(5) When the pick-up is complete, the representative should deliver the material to the receiving activity where the purchased items are checked and a receipt given.

(6) The representative should then take the receipts, acceptance forms and any remaining cash to the imprest fund cashier for settlement.

(7) The imprest funds cashier should check the documents for completeness and accuracy and count the remaining cash if any turned in by the representative.

(8) If all is in order, the cashier will mark the interim receipt for cash void and return it to the Navy representative.

c. Pick-up of Material Without Prior Arrangement. Cash may be advanced to activity representatives for purchases without a contracting officer/buyer making prior arrangements with the vendor only when the circumstances surrounding the requirements are such that making prior arrangement is not practicable. An example of such a circumstance is when there is the necessity to sight the item and the location of the contractor's place of business is a lengthy distance from the requiring activity. When unusual circumstances exist, activity personnel may be authorized to pick-up required materials when the procedures listed under Paragraph 6b, with the following exceptions, are followed.

(1) Instead of contacting the vendor and placing an order, the contracting officer/buyer should note on the purchase request that an advance to the named individual is authorized and should fix the amount of cash to be advanced.

(2) Instead of taking the receipt documentation directly to the imprest fund cashier when the transaction has been completed, the authorized individual will take all receipt documentation to the buyer for a review of the transaction for documentation of adequacy and accuracy.

(3) If the transaction is approved, the buyer should certify the approval by signing and dating the contractor's sales document and return it to the person who made the transaction who in turn will take all the documentation to the cashier for settlement.

7. Imprest Fund Reviews

a. The imprest fund cashier shall be required to account for the established fund at any time, by cash on hand, paid supplier's receipts, unpaid reimbursement vouchers and interim receipts for cash. Unannounced inspections, including cash counts, are required to be made of each imprest fund at least quarterly by individuals appointed by the head of the activity or chief of the contracting office who established the imprest fund. These individuals should be from the fiscal or comptrollers office of the activity if those offices exist. In any event the reviewing individuals shall be persons other than the disbursing officer advancing the funds or a subordinate of the imprest cashier.

b. Upon completion of each inspection and verification, a report of the result shall be submitted promptly to the head of the activity and disbursing officer providing the imprest fund. In addition, copies of each report shall be provided to the imprest fund cashier, the supply officer and the contracting officer having management responsibility over the imprest fund.

c. As a minimum, the inspection and verification report shall address the following:

(1) Date of the inspection and date that the last previous unannounced inspection and verification was made;

(2) Verification that establishment of the fund was properly authorized in writing and that the fund limit is stated;

(3) Confirmation of the official written appointments of the principal and alternate imprest fund cashiers and confirmation that each has a separate safe;

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(4) Date the safe combinations were changed;

(5) Assurance that only the imprest fund cashier has the safe combination. (i.e., the combination is not kept in a sealed envelope in the safe or provided to the alternate or supervisor, etc.);

(6) Assurances that imprest funds are not being commingled with other funds; (e.g., non-appropriated cash funds being kept with appropriated cash funds);

(7) Verification of fund amount (cash on hand + interim + cash receipts + paid suppliers receipts + unpaid replenishment vouchers = the fund limit actually advanced to the cashier);

(8) A determination that the maximum authorized amount of cash in the fund is consistent with the average monthly usage;

(9) Check of subvoucher procedures (e.g., is cashier assigning subvoucher numbers to paid supplier receipts at the time payment is being made, or is cashier erroneously waiting to assign subvoucher numbers at time reimbursement voucher is prepared);

(10) Check of outstanding imprest fund purchase actions to see if the 60-day delivery limit on imprest fund purchases is being enforced;

(11) Check that no purchase exceeds \$500; and

(12) Assurance that the responsibility and authority for determining requirements, purchasing and receiving, and paying are divided among three or more individuals.

CHAPTER 7A

Section II

Government-wide Commercial Purchase Card (GCPC)

1. Scope. This chapter prescribes guidance on the DON GCPC Program.

2. General

a. The GCPC shall be used to purchase or pay for all micro-purchase requirements unless a written determination by a Senior Executive Service (SES), Flag or general officer is provided in the purchase file. The GCPC should be used as a method of payment for traditional simplified acquisition methods (e.g., POs and BPA Calls) issued over the micro-purchase threshold.

b. DON guidance on the policies and procedures established for the use of the GCPC can be found in the EBUSINOFFINST 4200.1 series and DON GCPC Desk Guides. Contracting officers should become familiar with the guidance provided in the EBUSINOFFINST 4200.1 series specifically the areas addressing the use of the GCPC as a method of payment.

CHAPTER 7A

Section III

Blanket Purchase Agreements (BPAs)

1. Scope. This chapter prescribes SAP using the BPA method.
2. General

a. The BPA method is a simplified acquisition procedure authorizing the establishment of individual charge accounts with qualified sources of supply to cover recurring requirements of the same general category. BPAs eliminate the necessity of issuing individual POs by providing a method in which purchases are generally made by placing oral orders (BPA calls). Establishing BPAs for commodities to support mostly micro-purchase actions is only recommended when including terms and conditions are required. Where the majority of requirements exceed the micro-purchase threshold the use of BPAs is encouraged and recommended. Most activities, except those with a very small volume of acquisitions, will have repetitive requirements suitable for acquisitions by the BPA method. Supporting contracting offices should consider establishing BPAs for customer activities with repetitive requirements.

b. BPAs should be established by the contracting officers at the activity responsible for providing supplies for its own operations or for other offices, installations or projects or functions. These may include organized supply points, separate independent or detached field parties or one-person posts or activities.

c. The use of BPAs does not exempt the agency from the responsibility for keeping obligations and expenditures within available funds but this should be done using simplified methods and by avoiding formal fiscal recording of individual deliveries and transactions.

d. Contracting officers should establish BPAs that require acceptance of the purchase card as a method of payment for BPA calls. All BPA calls at or below the micro-purchase threshold must use the purchase card as a method of payment or a written determination by an SES, Flag or general officer must be included in the BPA file.

3. Authorized Callers

a. Authorized individuals within the contracting office that established the BPA can place BPA calls. In addition, the contracting officer who issued the BPA may authorize other activities that have been granted appropriate authority to place

calls under his/her BPA.

b. Procedures. All activities authorized to place calls under the BPA(s) of another command must submit to the issuing contracting office a list of individuals who have been appointed to make calls (including the dollar limitation per person/call). This may include a list of purchase cardholders authorized to place calls or use their cards as a method of payment for otherwise properly issued calls. A list of authorized callers should be maintained by both the issuing contracting officer and the activity placing the calls.

4. Establishing BPAs

a. The contracting officer is responsible for establishing BPAs. BPAs may be made with contractors from whom repetitive individual acquisitions will be made over a given period of time. To the maximum extent practicable, BPAs for items of the same type should be established at the same time with more than one supplier. (This will enable the contracting officer/BPA caller to meet the competitive requirements by either rotating the business among qualified suppliers or include BPA holders in the competition for those requirements over the micro-purchase threshold.) Use of the BPA method does not relieve the contracting officer/buyer from competition requirements. Contracting officers should consider awarding BPAs to sources whose past performance has shown them to be dependable and who offer good quality supplies or services at consistently competitive prices. BPAs may be established with a time limit (i.e., 1 year, 2 years, etc.) by a monetary limit (i.e., \$500,000 limit) or on an unlimited basis in terms of both time and money.

b. Where unique circumstances exist which require establishing a BPA with a single firm, a BPA may be established with only one contractor from which numerous individual purchases will likely be made in a given period. (The contracting officer must document the reasons the BPA was issued on a sole source basis including the unique nature of the supplies or services required and identify how the prices for the supplies and services will be determined fair and reasonable).

Establishing a BPA with a sole source does not relieve the contracting officer from other purchase requirements including small business considerations, fair and reasonable price determinations and regular reviews of the requirement to validate the propriety of the sole source. In addition, the BPA review shall document the propriety of maintaining a BPA with only one source and the contracting officer's efforts to obtain competition.

c. A BPA does not generally cite accounting appropriation data (The financial data is normally provided on each call.) nor is a purchase requisition necessary to establish a BPA.

d. Establishing BPAs against GSA Schedules

(1) General. BPAs may be established with FSS contractors if consistent with the terms and conditions of the applicable schedule contract. Establishing BPAs with GSA schedule contractors creates a simple ordering procedure for contracting officers/buyers and provides a mechanism for the contracting officer to negotiate lower discounts off of the GSA schedule price list. Establishing BPAs with GSA schedule contractors does not relieve the contracting officer/ buyer from the general policy and procedures established for schedule use. Contracting/ordering offices that have established BPAs against GSA Schedules are responsible for ensuring the adequate documentation of calls against those schedules is accomplished. If the requirement exceeds the micro-purchase threshold, the contracting/ordering officer(s) remain responsible for reviewing the schedule products of at least three vendors and providing a written determination the award was issued to the contractor providing the best overall value price and other factors considered. This can be accomplished by reviewing available BPAs with schedule holders or the introduction of competition from other schedule holders or nonschedule holders who offer the same products or services. Contracting officers shall not establish BPAs for Information Technology (IT) products or services unless the activity's requirements cannot be met through the available DON BPAs or Indefinite Delivery Indefinite Quantity (IDIQ) contracts included in Information Technology Electronic Commerce (ITEC) Direct.

(2) Establishing BPAs for Services. BPAs for recurring services may be permitted when the following procedures are followed. All BPAs must define the services that may be ordered under the BPA along with delivery or performance time frames, billing procedures, etc. The potential volume of orders under the BPAs regardless of the size of individual orders may offer the contracting/ordering office opportunities to secure volume discounts. When establishing BPAs for services contracting/ordering offices shall inform contractors in the request for quotes (based on the command's requirement) if a single BPA or multiple BPA will be established (for that specific service requirement) and indicate the basis that will be used for selecting the contractors to be awarded the BPAs.

(a) Single BPA. Generally a single BPA should be established when the contracting/ordering office can define tasks to be ordered under the BPA and establish a firm-fixed price or ceiling price for individual tasks or services to be ordered. When this occurs authorized users may place the order

directly under the established BPA when the need for services arises. The schedule contractor that represents the best value and results in the lowest overall cost alternative to meet the command's needs should be awarded the BPA.

(b) Multiple BPAs. When the contracting/ordering office determines multiple BPAs are necessary to meet its requirements, the contracting/ordering office should determine which contractors meet any technical qualifications before establishing the BPAs. When multiple BPAs are established, the authorized users must follow the procedures found in Chapter 4 of this instruction and then place the delivery order with the schedule holder that represents the best value and results in the lowest overall cost alternative to the Government.

(3) Review of BPAs Against GSA Schedules. Contracting/ordering offices must review all BPAs he/she established against GSA Schedule contracts per the guidance provided later in this chapter.

e. BPAs should be established by contacting contractors (by phone, letter, fax or in person). Prior to establishing a BPA, contracting officers shall discuss with the contractor the terms of the agreement, including the invoicing procedures, required terms and conditions and special requirements. The agreement may be established on the forms noted below and shall be issued as a bilateral, two party agreement.

5. BPA Format

a. Forms. BPAs for commercial items may be prepared and issued on the SF 1449, Solicitation/Contract/Order for Commercial Items or on the DD 1155, Order for Supplies or Services. The Optional Form OF 336 or a plain sheet of paper may be used as a continuation sheet.

b. Numbering. As prescribed in DFARS 204.70, BPAs are assigned a 13 position number with an A in the ninth position (e.g., N00023-99-A-0001). The number assigned will remain in effect for the life of the agreement except that the seventh and eighth positions may be administratively modified to coincide with the current Fiscal Year when considered necessary by the contracting officer.

c. Terms and Conditions. Each BPA should include the terms and conditions below;

(1) Description of Agreement. The BPA should include the authorization for the supplier to furnish supplies or services, if and when called for, by those persons designated by the contracting officer to place calls within a stipulated dollar amount. The BPA may limit the supplies or services by

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groups or classes or may allow the contractor to furnish a general commodity or type of supplies or services.

(2) Obligation of the Government. The BPA must contain a statement that the Government is obligated only to the extent of those authorized calls that are actually made against the BPA by authorized personnel.

(3) Pricing. A statement that the prices to the Government shall be as low or lower than those charged the contractor's most favored customer, considering quantities and discounts offered.

(4) Purchase Limitation. The statement that no individual call will exceed the SAT, (\$5 million dollars using the procedures of FAR subpart 13.5) or the delegation of procurement authority established for the activity authorized to place BPA calls. When a BPA is established under the terms of a FSS, the purchase limitation should be consistent with the terms of the applicable schedule contract. Calls for subsistence items are not limited as to dollar value.

(5) Authorized Callers under the BPA. A listing of persons authorized to place calls and dollar limitations shall be included in the BPA or a statement that a list will be provided separately to the contractor by the contracting officer of the contracting activity.

(6) Delivery Tickets. The BPA shall include a requirement that all shipments will be accompanied with delivery tickets (in triplicate). Delivery tickets will be prepared by the contractor and must contain the following information:

- (a) Name of supplier,
- (b) BPA number,
- (c) Date of call,
- (d) Call number,
- (e) Itemized list of supplies and services furnished,
- (f) Quantity, unit price and extended prices of each item less applicable discounts (unit prices and extended prices need not be shown when incompatible with the use of automated systems, provided that the invoice is itemized to show this information); and
- (g) Date of delivery or shipment. The receiving activity designated in the BPA must sign three copies of the

delivery ticket. The signature of the designated receiving activity constitutes acceptance by the Government. One ticket should be retained by the receiving activity and two copies returned to the contractor or their agent. The vendor or their agent should be notified that signed delivery ticket is required to support their invoice.

(7) Place of Delivery. A statement providing that, delivery instructions will be provided with each call. Delivery normally will be made to the ordering activity but direct delivery to the shop or unit requesting the material may be authorized. When it is in the best interest of the Government, direct pick-up of material from the supplier's place of business may also be authorized.

(8) Invoicing. The BPA may provide that an invoice be submitted (in quadruplicate) at least once monthly by one of the methods in sub-paragraph (a)(b) or (c) below. The contractor's invoicing (billing) period will be specified in the BPA. The contracting officer must obtain agreement from the contractor on the method of invoicing and the billing period before entering into the BPA.

(a) Summary Invoices. The BPA may provide that a summary invoice be submitted listing the following:

1. The individual delivery ticket number,
2. Each call number placed under the BPA,
3. Amounts, and
4. Total amount due. (Each invoice will be supported by a receipt copy of each delivery ticket.)

(b) Itemized Invoices. The BPA may provide that an invoice be submitted listing the items delivered and identified by the applicable delivery ticket by the applicable delivery number. (Delivery tickets are not required to support the invoice.)

(c) Individual Invoices. When requested by the contractor, the BPA may provide an individual invoice be submitted for each delivery when:

1. The accumulation of the individual invoices by the Government does not materially increase the administrative cost of this purchase method,
2. A single consolidated payment will be made for each specified period,

3. The period of any discounts offered will commence on the final date of the billing period or on the date of receipt of invoices for all deliveries accepted during the billing period whichever is later, and

4. A deviation to the FAR has been granted which permits individual processing and payment of invoices under BPAs for certain food products including meat, meat food products, poultry meat, poultry; meat food products, eggs, egg products, or a combination of the above, or perishable agricultural commodities. The deviation is effective until incorporated into the FAR.

(d) An invoice for subscriptions or other charges for newspaper, magazines or other periodicals will show the starting and ending dates and will state either that ordered subscriptions have been placed in effect or will be placed in effect upon receipt of payment.

(9) Use of the Fast Pay Procedures with BPAs. Fast pay procedures may be used only when FAR Clause 52.213-1, Fast Payment Procedures have been incorporated into the basic BPA.

(10) Use of Unpriced BPA Calls. Unpriced BPA calls may be used in conjunction with BPAs when FAR Clause 52.213.3, Notice to Supplier is incorporated into the basic BPA.

(11) FSS Orders. BPAs may be established against FSS contracts if authorized by the contract. The BPA agreement must state that the BPA is authorized to place orders against FSS contracts. In the event of any inconsistency, the terms of the FSS will govern. Calls against FSS contracts may be placed up to the maximum order threshold of the contract.

(12) Provisions/Clauses. Depending on the supply or service procured under the BPA, the contracting office should include provisions and clauses adequately reflecting the Government's requirements. FAR subpart 12 and DFARS 212, provide terms and conditions required for acquisitions of commercial items under FAR subpart 12 and in addition would authorize use of the commercial test program at FAR subpart 13.5 under the BPA. FAR subpart 13 and DFARS 213 provide the required terms and conditions when establishing a BPA for non-commercial items using the procedures of FAR subpart 13.

(13) Execution. Except for HCA approved automated systems (e.g., SPS), each BPA must contain the typewritten name and manual signature of the contracting officer.

(14) Distribution of BPAs. BPAs and modifications to BPAs should be distributed per the normal distribution procedures found in Chapter 7A, Section IV. In addition, a copy

should be made available to each contracting office or caller authorized to issue orders against the BPA.

6. Purchases under BPAs

a. Conditions for Use. The use of the BPA must be in compliance with established SAP and may not allow purchases that are not otherwise authorized by law or regulation. If there is an insufficient number of BPAs to ensure equitable rotation of micro-purchases or allow for competing requirements over the micro-purchase threshold, the contracting officer should solicit quotations from other sources for the immediate acquisition and take action to establish additional BPAs for future procurements. In establishing BPAs, contracting officers must take into consideration the requirement to rotate micro-purchases among qualified suppliers or compete requirements above the micro-purchase threshold. The basis for issuing a BPA call is a properly authorized and funded purchase request being presented to the contracting officer/BPA caller.

b. BPA Call Limitation. Only persons expressly authorized by the contracting officer that issued the BPA may, within their designated dollar limitation, place calls against a BPA. Individual calls, other than those placed for subsistence, shall not exceed the SAT or \$5 million dollars when using the procedures found at FAR subpart 13.5. Notwithstanding the threshold identified above, no BPA call may exceed the contracting authority of the caller placing the BPA call. Calls against FSS contracts may not exceed the MOL of the contract.

c. Screening Requirements. The use of the BPA method does not eliminate the necessity to screen requirements for their availability from the mandatory Government sources of supply. Therefore, prior to placing a call against a BPA, each requirement must be screened for availability from stock, UNICOR, JWOD and from the other mandatory sources identified in Chapter 4 of this instruction.

d. Placing BPA Calls. BPA calls will normally be placed by telephone. Written calls or faxed orders may be placed using the DD 1155 or SF 1449 when required.

e. Documentation of BPA Calls. Each BPA call must be documented to establish the propriety of the transaction. BPA calls may be documented on the purchase request (purchase requisition), buyer's worksheet or other form which contains the same or similar information. Regardless of the form used, the documentation must include the following:

- (1) BPA number,
- (2) BPA call number,

- (3) Date of call,
- (4) Date of required delivery,
- (5) Accounting and appropriation data,
- (6) Quantity,
- (7) Unit, extended and total price call, and
- (8) Signature of person placing the call (this requirement is waived for HCA approved automated systems)

f. Distribution of the BPA Calls. The annotated purchase request, abstract or worksheet should be distributed per local procedures for receipt, inspection, acceptance and payment.

g. Receipt of Material. When delivery is made or services have been performed, the contractor's sales document, delivery ticket or invoice (if it reflects the essential elements) may be used for recording receipt and acceptance of the supplies or services.

h. Numbering. BPA calls are identified by a four-position numeric call number beginning with 0001 through 9999 when issued by the activity that established the BPA or authorized calling activity. Activities that establish BPAs for use by other activities or multiple user activities may assign a numbering system. BPA calls administered by a Defense Contract Management Command (DCMC) Office will be numbered per DFARS 204.70.

i. BPA Log. Calls may be recorded on a BPA log similar to the sample provided at the end of this chapter. Automated alternatives for recording BPA calls are authorized and encouraged.

7. Establishing BPAs for the Acquisition of Commercial Items. BPAs for commercial supplies and services should, to the maximum extent, include only those provisions/clauses that are required to implement provisions of law or executive orders applicable to the instant acquisition of commercial items and determined to be consistent with customary commercial practices. Provisions/clauses determined to be generally sufficient for acquisitions of commercial items can be found in FAR subpart 12.3. Additional provisions/clauses should only be added when determined necessary.

a. When establishing BPAs for commercial supplies or services, the contracting officer must establish the BPA on the SF 1449.

b. The contracting officer should set BPA call limits that maximize the use of the test program at FAR subpart 13.5 using SAP up to \$5 million (when authorized and within the command's delegation of authority).

c. Contracting officers should review Chapter 7D of this instruction for further guidance on use of the commercial item test program.

8. Letters of Agreement (LOA)

a. Scope. LOAs are a streamlined procedure for procuring commercial supplies between \$2,500 and \$25,000 based on using oral solicitation, placing oral orders and paying for oral orders using the purchase card. (The use of LOAs for services is not authorized) LOAs are essentially BPAs specifically designed to authorize purchase cardholders to issue oral orders against the LOAs and use their purchase cards as a method of payment for the oral orders. This method provides contracting officers, agency program coordinators and purchase cardholders an innovative approach in using the purchase card above the micro-purchase threshold.

b. Policy

(1) Delegation of Contracting Authority. Activities wishing to utilize this method must have an appropriate grant of authority from their cognizant HCA.

(2) Appointment of Cardholders. Individual cardholders utilizing this method must be appointed in writing as a contracting officer on a SF 1402.

(3) Training. Cardholders authorized to use this method must complete the training identified in the EBUSOPSOFFINST 4200.1 series.

(4) Establishing LOAs. Duly appointed contracting officers or Activity Program Coordinators (APCs) with the appropriate grant of authority may sign the LOA on behalf of the Government. Activities using this method must establish LOAs with small business vendors providing commercial supplies that agree to permit the use of the purchase card as a method of payment for oral orders. Vendors must agree to bid on oral solicitations and to accept the terms and conditions normally associated with the procurement of commercial items. (Refer to FAR subpart 12). Orders shall be limited to supplies valued between \$2,500 and \$25,000 and will not be confirmed in writing. Clauses applicable to the acquisition of commercial items, provided in FAR subpart 12 and DFARS 212, should be incorporated in all agreements. A sample of the standard LOA is found in the EBUSOPSOFFINST 4200.1 series.

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(5) Ordering from LOAs. Cardholders authorized to place orders against these agreements shall follow the solicitation and award procedures found in the DON purchase card instruction, EBUSOPSOFFINST 4200 series. Cardholders must maintain records of oral price quotations to reflect the propriety of placing orders to the vendor selected at the prices paid.

(6) Electronic Commerce. The HCA must make the required determination regarding the impracticality of processing solicitations via Federal Acquisition Computer Network (FACNET) or alternative electronic commerce methodologies when the solicitation will be oral and the payment is to be made under the LOA.

(7) LOA List. A listing of contractors with whom an LOA has been established shall be maintained by the contracting officer or agency program coordinator and provided to the cardholders authorized to use this method. The listing must be reviewed and updated on a routine basis or as interested small businesses request LOAs and are added to the list.

9. BPA/LOA Review Procedures

a. Review of BPA/LOA calls. Whether at the issuing activity or an activity authorized to place calls against BPAs/LOAs, the contracting officer or his/her designated representative shall review BPA/LOA calls to ensure that proper procedures are being followed. The review will ensure that:

(1) Mandatory sources of supply are not being circumvented (ignored),

(2) Calls below the micro-purchase threshold are being distributed equitably among qualified suppliers, when practicable,

(3) BPA/LOA calls are being placed only by authorized personnel within their established monetary call limitations,

(4) Requirements are not being split to circumvent established competitive thresholds,

(5) Proper attention is being given to pricing as evidenced by the reasonableness of prices paid (e.g., purchase descriptions, adequate competition where required, etc.),

(6) BPA/LOA call record information and appropriate signatures, justifications for exception to mandatory supply sources, records of firms solicited and responses received and/or price reasonableness documentation for calls over the micro-purchase threshold, sole source justifications, and

(7) Use of the purchase card as a method of payment for all BPA calls under the micro-purchase threshold issued under the BPA/LOA.

The review should also examine the frequency of the use of the BPA/LOA reviewed and the necessity for maintaining the BPA/LOA.

b. Review of Agreement. The contracting officer that issued the BPA/LOA should:

(1) Ensure that each BPA/LOA is reviewed for currency of format, provisions, terms and conditions, contractor business size, etc.,

(2) Maintain awareness of changes in marketplace, source of supply and other pertinent factors that may warrant making new arrangements with different supplies or modifying existing arrangements,

(3) Update the agreement as required. If the review reveals that the BPA/LOA is out of date, the BPA/LOA must be modified by the issuance of a SF 30 Modification to include the most current provisions, clauses, etc. If, however, extensive changes are required, the contracting officer should cancel the existing BPA/LOA and issue a new one, and

(4) Annotate the results of the review in the Remarks column of the BPA Call Review Form (e.g., no updating required). Contracting officers must ensure that these reviews are meaningful and thorough and that BPAs are maintained in compliance with current regulatory requirements.

c. Extent of Review

(1) The contracting officer placing orders under a BPA/LOA or the designated representative of the contracting officer, should review a sufficient random sample of the BPA/LOA calls at least annually to ensure that authorized procedures are being followed.

(2) The review of the BPA/LOA will normally be accomplished on an annual basis. However, if circumstances warrant, the annual review may be limited to 50 percent of the issued BPAs. In any event, all BPAs/LOAs will have been reviewed at least once in a 2-year period.

d. Review Documentation. All reviews of BPAs/LOAs will be accomplished using the BPA Call Review Report (NAVSUP Form 1328). The completed form will provide documentation of the results of the BPA/LOA review. The completed form should be maintained in the BPA/LOA file or other central file. The review can also be used as a training tool for buyers and BPA

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callers. For those BPAs/LOAs used and reviewed by activities outside the issuing contracting office, a signed copy of the completed NAVSUP Form 1328 (NAVSUP Report 4225-1) will be forwarded to the contracting officer who issued the BPA/LOA for the reviewing office within 30 days after completion of the review.

e. BPA/LOA Master List. Activities establishing BPAs/LOAs should maintain and distribute to all users a master list by general commodity or category of supplies or services. As a minimum, the list should include the contractor's name and address, phone number, the BPA/LOA number and should identify whether the business is small, large or minority owned. The BPA/LOA Master List must be reviewed and updated on an annual basis in conjunction with the activity's annual BPA reviews.

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CONTRACTOR: _____
NUMBER: _____

BPA

COMMODITIES: _____

PHONE NO: _____

BUISNESS SIZE: _____

PAYMENT TERMS: _____

CALL NUMBER	AWARD DATE	REQUISITION NUMBER(S)	ITEM(S) DESCRIPTION	TOTAL PRICE

CHAPTER 7A

Section IV

PURCHASE ORDERS

1. Scope. This section prescribes policies for using SAP when issuing POs for supplies and services. This chapter provides guidance for the procurement of both commercial and other than commercial items.

2. General. A PO, awarded as a result of a quotation, is an offer by the Government to buy certain supplies and services per the specific terms and conditions contained in the order. Contractor acceptance of the PO may be accomplished by completion of a delivery or providing the service, substantial performance or evidence of intent to perform, or signing the order. With the exception of UPO, all POs will be issued as firm fixed priced orders. POs may be issued up to the SAT or up to \$200,000 in support of a declared contingency operation. POs issued under the commercial item test program at FAR subpart 13.5 may be issued up to \$5 million dollars. However, a PO may never be issued in excess of the activity's or contracting officers' specific delegation of contracting authority.

3. Unilateral POs. Unilateral POs are the most common type of PO issued. The contracting officer signs the PO and forwards it to the contractor for acceptance. The PO is the Government's offer. The Government's offer is accepted when the contractor delivers, performs, substantially performs or exhibits an intention to perform.

4. Bilateral POs. A bilateral PO is an offer by the Government that is signed by both the contracting officer and contractor. Acceptance of the Government's offer by the contractor now occurs with the contractor's signature on the PO. The contractor's signature on the document creates a contract legally binding on both parties which requires the contractor to perform per the terms and conditions of the contract. Use of bilateral POs is mandatory under the following circumstances.

a. A Government furnished property clause is included in the order. (See discussion later in this chapter.)

b. The PO is for mortuary services.

c. Classified acquisitions when the purchase is made within the United States, its possessions and Puerto Rico where a requirement for classified information and a DD 254, Contract Security Classification Specification is incorporated into the PO.

- d. When issuing an Indefinite Delivery Type PO (IDTPO).
- e. The PO includes a provision for options.
- f. The contracting officer determines that a bilateral PO is in the best interest of the Government.

5. Issuance of POs. POs may be issued on the SF 1449, Solicitation/Contract/Order for Commercial Items or the DD 1155, Order for Supplies or Services. In the event additional pages are required, Optional Form 336, Continuation Sheet or blank sheets of paper may be used. The SF 1449 shall be used for all POs issued over SAT.

a. Issuing Bilateral POs

(1) If a written solicitation is issued on a SF 1449, the contractor is asked to complete specific information on the form and return it to the contracting officer with his/her quotation. After evaluation, the contracting officer may make the award on the same form by clearly identifying the action as an award, assigning a PIIN, signing the form and returning the SF 1449 to the contractor. The award may also be made on a separate SF 1449 as both parties have signed the original agreement forming a bilateral action that accepts all of the incorporated terms and conditions. Use DFARS Clause 252.243-7001, Pricing of Contract Modifications, in all bilateral POs.

(2) When oral solicitations are issued for commercial items per FAR Subpart 12 and 13 or when a combined synopsis/solicitation is issued, award may be made on SF 1449. The contracting officer will complete the appropriate blocks identifying the action as an award, sign and send the form to the contractor resulting in the issuance of a unilateral PO. If a bilateral action is required, the contractor should be advised to sign the SF 1449 and return it to the contracting office. (See (1) above for the complete procedure.)

c. Issuing DD 1155. When issuing a bilateral PO using the DD 1155, check the box located in Block 16 which states if this box is marked, supplier must sign acceptance and return the following number of copies. The contracting officer then signs block 24 and forwards the DD 1155 to the contractor requesting them to accept the PO by his/her signature on the DD 1155. The contractor should sign acceptance on the face of the DD 1155 and return the required number of copies to the contracting officer.

6. Terms and Conditions Applicable to POs. Regardless of the contract form used (SF 1449 or DD 1155) where market research has determined that the requirement is a commercial item, the contracting officer should use the terms and conditions found in

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FAR Part 12. In cases where market research has determined that the requirement is not a commercial item, the contracting officer should include those terms and conditions found in FAR 13.302.

a. Required Clauses. Unless otherwise directed, clauses appropriate to the PO should be incorporated by reference. Clauses that are mandatory for use in all POs, other than those for commercial items, may be found in FAR 13.302-5.

b. Additional Clauses. There are cases where additional clauses may be required in POs. Only clauses in the FAR, DFARS, NMCARS and the applicable HCA Clause Book may be utilized. Contracting officers do not have the authority to develop local clauses without appropriate approval. If additional instructions are required, the contracting officers may place the specific guidance in the statement of work or schedule of supplies and services. Some additional clauses often included in POs and not previously discussed that can be used to modify POs are:

(1) FAR 52.211-17 - Delivery of Excess Quantities (Sep 89). This clause may be incorporated by reference and should be used in all POs for supplies. (POs for commercial items may be modified to include this clause.) This clause provides that if the contractor delivers supplies in a quantity in excess of that specified in order (unless within allowable variation, if any) the Government will keep such excess supplies up to \$250.00 in value without repaying the contractor. The clause states that quantities in excess of \$250.00 will, at the option of the Government, be returned to the contractor at his/her expense or retained and paid for by the Government at the contract price;

(2) FAR 52.211-5 - Material Requirements (Aug 2000). This clause applies when the solicitation/order for supplies requires the use of new material and for any services that may involve the incidental furnishing of parts;

(3) FAR 52.213-2 - Invoices (Apr 1984). This clause is required to be included in POs that authorize advance payments for subscriptions or other charges for newspapers, magazines, periodicals or other publications (i.e., any publication printed, microfilmed, photocopied or magnetically or otherwise recorded for auditory or visual usage);

(4) Government Furnished Property Clauses

(a) General. Government property is anything owned by the Government and furnished to a contractor for him to repair, consume, modify, study, etc. The most common cases involve repair to Government property when we ship or deliver the item to the contractor to be evaluated or repaired at his

place of business. When Government property is furnished to the contractor, the buyer must determine if a Government Property Clause is required and if required what Government Property Clause to use. When a Government Property Clause is used, the eventual order must be issued as a bilateral PO.

(b) Applicability of Clause. The factors which determine if a Government Furnished Property Clause is used and which specific clause to use are as follows:

1. The acquisition cost of the Government property, and
2. The nature of the buy (i.e., competitive or non-competitive).

(c) Acquisition Cost. The acquisition cost is how much the item originally cost the Government to acquire. This is not the current book value nor is it how much the item would cost to replace at today's prices. The acquisition cost must be furnished by the customer and documented on the basic requisition.

(d) Nature of the Buy. The nature of the buy concerns the current procurement. A competitive acquisition is one in which:

1. Adequate price competition exists;
2. Established catalog, market prices for the requirement is a commercial item or service sold in substantial quantities to the general public; or
3. Prices are set by law or regulation.

(e) Clauses. When the cost of the item to be repaired does not exceed the SAP, POs for property repair need not include a Government Property Clause. Government Property Clause may be used whenever the contracting officer considers it appropriate. Refer to FAR 45.106 for applicable Government Property Clauses.

(f) Property Records Clause. When one of the Government Property Clauses is included in the award document, the clause FAR 52.245-1, Property Records (APR 1984), must be incorporated by reference in the PO. This is required when the contracting office retains contract administration, Government property is furnished to a contractor and the following conditions apply:

1. For repair and servicing and return to the shipping organization;

2. For use on a Government installation;
3. Under a local support service contract;
4. Under a contract with a short performance period; or
5. When otherwise determined by the contracting officer to be in the Government's interest.

(5) Service Contract Act (SCA). The SCA applies to acquisitions of services performed by service employees. Service employees are generally blue-collar type employees (e.g., mechanics, helpers, draftsman, etc.). Micro-purchases are generally exempt from the requirements of the SCA. When your requirement is for services in excess of \$2,500, the contracting officer must complete and forward an SF 98 to the Department of Labor (DOL) or complete the action via the internet at <http://www.wdol.gov/> requesting a wage determination for the specific job categories. The resulting DOL wage determination must be included in the solicitation and eventual award document. For additional information on the SCA refer to FAR Part 22 for guidance. The SCA does not apply to contracts for the construction, alteration, furnishing, or equipping of a naval vessel; these contracts are subject to the Walsh-Healey Act. In addition, the SCA does not apply to services performed outside the United States, its territories and Puerto Rico. (This does not include leased bases or Trust Territories.)

(6) Other clauses found in bilateral POs for other than commercial Items.

(a) Assignment of Claims. FAR 52.232-23, Assignment of Claims (Jan 1986) must be included in POs for other than commercial items where it is anticipated that a contractor will assign payments to a bank, trust company or other financial institution. A contract must be in existence at the time an assignment is executed. If the contracting officer receives a notice of an Assignment of Claim under a unilateral PO (where the PO is \$1,000 or more and delivery has not been made) the contracting officer should return the notice of assignment to the financing institution with a letter stating that assignment cannot be made if the payments remaining are for less than \$1,000. If remaining payments are for \$1,000 or more, the contracting officer should modify the unilateral PO and include the Assignment of Claims clause, advising the contractor that if he/she executes and returns the amendment to the original order (the SF 30), a valid assignment may be executed. A copy of the signed modification will be sent to the paying office. (Note: For suspected violations of the Assignment of Claims Act, the contracting officer shall report to the appropriate Office of General Counsel supporting the contracting office.)

7. Standard Form 44, PO-Invoice Voucher

a. General. The SF 44 is a variation of the PO method of procurement. It is a multi-purpose form that can be used as a PO, receiving report, invoice and public voucher. It is a pocket-size form designed for on-the-spot, over-the-counter purchases of supplies and non-personal services while away from the purchasing office or at otherwise isolated activities. Activities using the SF 44 are responsible for establishing policies and procedures that provide for adequate safeguards regarding control of forms and accounting for purchases.

b. Conditions for Use. The SF 44 will be used only when other purchase methods are not available. The SF 44 may be used only if all the following conditions exist.

(1) The amount of the purchase does not exceed the micro-purchase threshold. Purchases of aviation fuel and oil by Navy pilots, overseas transactions by contracting officers in support of contingencies as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(7) and transactions in support of intelligence and other specialized activities addressed by Part 2.7 of Executive Order 12333 shall not exceed the SAT.

(2) The supplies or services are immediately available.

(3) One delivery and one payment will be made.

(4) It is determined to be more economical and efficient than use of other SAP.

c. Preparation and Execution. An authorized ordering officer should prepare the SF 44 in quadruplicate at the time the purchase is made. The SF 44 provides for simultaneous placement of the order and delivery of the supplies or services. Although the SF 44 is a variation of the PO method, unlike a PO issued on a DD 1155, the SF 44 should not be executed prior to delivery or performance by the contractor. Notwithstanding the instructions printed on the inside cover of each book of forms, the ordering officer will make appropriate entries in the common blocks and columns on all four copies of the SF 44. Clauses are not required for using this form.

d. Distribution. Upon completion of the purchase on the SF 44, distribution will be as follows:

(1) Copies 1 and 2 will be given to the contractor at time of purchase. Contractors should be instructed to submit copy 1 as an invoice (with or without a commercial invoice) to the disbursing activity indicated in the block entitled Agency Name and Billing Address;

(2) Copies 3 and 4 will be returned promptly by the ordering employee to the ordering activity; and

(3) Copy 4 should be forwarded to the appropriate fiscal office for recording of obligations.

e. Accountability and Safeguarding of SF 44. Each activity maintaining books of SF 44s should establish adequate control procedures to ensure that only authorized ordering employees of the activity use the SF 44. The supply officer or the commanding officer of the activity, as appropriate, should designate the ordering employees authorized to use the SF 44 in writing. At activities where ordering employees cannot be designated specifically by name, such as pilots of aircraft and drivers of motor vehicles, the use of the SF 44 may be granted to such personnel.

8. Oral Orders Followed by Confirming Orders

a. Definition. An oral order followed by a confirming order is a written purchase or delivery order issued to confirm an oral order placed on behalf of or by a contracting officer. Generally, oral confirming orders are issued by buyers who do not have contracting authority to award the specific requirement and require the approval of the contracting officer prior to providing the contractor with a purchase or delivery order number over the phone.

b. Conditions for Use. Oral orders followed by confirming orders may be used only when all the following conditions are present.

(1) This type of order is acceptable to the supplier;

(2) Approval by the contracting officer is obtained prior to placing the oral order (unless the contracting officer is placing the oral confirming order);

(3) The order does not require supplier's written acceptance;

(4) The order is for standard commercial supplies and services which are readily available; and

(5) The purchasing activity retains all administration functions.

c. Oral Order Followed by a Confirming Order Placement. Upon selection of a contractor, the approval of the contracting officer must be obtained prior to oral placement of the order. Oral orders must provide the following information:

- (1) Purchase/delivery order number;
 - (2) Item being procured, quantity and price;
 - (3) Date and place of delivery;
 - (4) F.O.B. terms;
 - (5) Discount terms;
 - (6) Shipping address;
 - (7) Names of buyer and authorizing contracting officer;
- and
- (8) That the oral order is subject to all terms and conditions of the subsequent written confirming order.

d. Confirming Order. Confirming orders placed subsequent to oral orders should be prepared as any other PO and should be prominently marked CONFIRMING ORDER DO NOT DUPLICATE. Distribution of the confirming order must be made within 10 days of placement of the oral order or prior to initial delivery, whichever is earlier.

9. Unpriced Purchase Orders (UPOs). An UPO is an order for supplies or services for which a firm price is not established at the time of issuance of the order. The most common use of UPO is for the purchase of repair services where the contractor must tear down and inspect the equipment to be repaired to determine the nature and extent of repair.

a. Determination of Use. The use of UPOs is discretionary and contracting officers should exercise care and judgment in the selection of contractors to receive order. Prior to the issuance of an UPO, the contracting officer should determine the impracticability of soliciting firm prices and the reliability of the information supporting the fairness and reasonableness of the monetary limitation.

b. Conditions for Use. UPOs may be used only when the following conditions exist.

- (1) The PO shall not exceed the SAT.
- (2) It is impractical/impossible to obtain pricing in advance of issuance of the PO.
- (3) The purchase is for repairs to equipment requiring disassembly to determine the nature and extent of such repairs and sole source material for which cost cannot be established

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readily; or supplies or services when prices are known to be competitive but exact prices are not known.

c. Instructions for Use.

(1) General. Unpriced orders are not issued as firm fixed price orders and do not generally fit the requirements for commercial item procedures. Unpriced orders will generally be issued on the DD 1155, Order for Supplies or Services, and must contain FAR Clause 52.213-3, Notice to Supplier (APR 1984) per subparagraph (3) below. Guidance on using the purchase card to pay for UPOs is provided in Chapter 9 of this instruction. Block 13 of the DD 1155 should be annotated to require the contractor to send the invoice to the contracting officer or his/her designated representative who will review the invoiced price and if reasonable, process the invoice for payment. The words Not-to-Exceed (NTE) will be annotated over the amounts shown in blocks 17 and 25 of the DD 1155.

(2) Monetary limitation. A realistic NTE monetary limitation must be established either for each line item or for the total unpriced order. The NTE amount must be established by the contracting officer/buyer through correspondence with the customer and the contractor. The purchase file should be documented with the basis for the established NTE price. To determine a realistic monetary limitation, the buyer should ascertain as much information as possible from the requisitioner and the contractor about what possible costs may be involved in the final price. The following illustration contains factors that should be considered in an unpriced order for repair.

FACTORS USED TO ESTABLISH NOT-TO-EXCEED AMOUNT FOR REPAIRS

PRICE-RELATED FACTORS EXPRESSED IN ESTIMATED NUMBERS OF -- **	UNIT & UNIT PRICE	EXTENDED ESTIMATE
____ Labor Hours	\$ ____/HR	\$ ____
____ Call-Out/Trip Charges	\$ ____/TRIP	\$ ____
____ Travel Miles	\$ ____/MILE	\$ ____
____ Travel Hours	\$ ____/HR	\$ ____
____ Days with Meals Included	\$ ____/DAY	\$ ____
____ Lodging Days	\$ ____/DAY	\$ ____
____ Car Rental Days	\$ ____/DAY	\$ ____
____ Airline Tickets	\$ ____/TICKET	\$ ____
Possible/Probable Parts Required and the Basis for the Prices Charged.	\$ ____/LOT	\$ ____
Other Factors Considered:		
THE NTE PRICE IS REALISTIC BASED ON TOTAL ESTIMATED COSTS	1 JOB	NOT TO EXCEED \$ ____

** These factors do not need to be itemized on the order but should be kept as part of the solicitation record for use in evaluating the final invoice price. The contractor must agree to itemize each type of charge, as indicated above, on his/her service ticket/report and on the invoice.

(3) Clause requirements. FAR clause 52-213-3, Notice to Supplier (APR 1984), must be included in all unpriced orders. This clause notifies the contractor that a firm order exists only if the price does not exceed the maximum line item or total price in the schedule. It advises the contractor that if performance cannot be accomplished per the order, performance should be withheld, notification given to the contracting officer and a quotation submitted for the balance of the repair. Therefore, the contractor cannot exceed the established NTE price in an unpriced PO without first notifying and obtaining approval from the issuing contracting officer.

(4) Modification. If the contractor advises that performance per the specifications of the order is impossible

(e.g., to complete the repairs it will cost more money), the contracting officer has the option of canceling the order or modifying it to increase the price. If the PO is canceled the government may be responsible for costs incurred prior to the date the order was cancelled.

If the PO is modified, the contracting officer must determine that the additional cost above the initially estimated NTE amount is fair and reasonable and document the determination in the purchase file. This determination should be based on information provided by both the contractor and the requiring activity. When modifying the order, the buyer should attempt to negotiate a firm fixed price and incorporate the fixed-price in the modification. UPO need not be modified to establish a fixed price that is less than the original NTE price of the order.

(5) Alternative to UPOs. An alternative method to using UPOs is issuing one firm fixed PO for the tear down which should include that the contractor provide a firm fixed quotation for final repair. The contracting office can then issue a firm fixed priced PO for the repair based on the contractor's quotation.

(6) Payment Procedures. In addition to the prompt payment procedures in Chapter 8, the contracting officer or his designated representative must review each invoice resulting from an UPO and certify that the price is fair and reasonable before processing the invoice for payment.

d. Monitoring of Unpriced Orders. All activities issuing UPOs should develop a process to monitor these orders. This process should include procedures to ensure timely pricing of orders and that prices paid are fair and reasonable. Procedures that will assist activities in this area are described below;

(1) Follow-up/Record of Status. The contracting officer should follow-up each unpriced order to ensure timely pricing. To accomplish this, a suitable local record of UPOs should be maintained to identify any outstanding unpriced orders not processed for payment. The record should show the order number and date, name of the contractor, the estimated NTE amount, and date follow-up was performed, as appropriate. A log or other type of filing method that would include issued copies of UPOs are acceptable methods of maintaining these records.

(2) Review of Billing Prices. The validity of billing prices and basis for determining the unpriced purchase fair and reasonable should be reviewed on a semiannual basis to provide reasonable assurance that billed prices represent the fair value of the items purchased. This may be accomplished by comparison with a written price estimate prepared specifically for this purpose by qualified Government representatives or a

verification of actual supplier percentage of the original monetary limitations. In addition, the basis for determining the final purchase price fair and reasonable should be reviewed.

(3) Contractors Not Considered Eligible for the UPO Method. Suppliers whose integrity may come into question as a result of the actions described above should not be considered eligible for the UPO method until such doubts are resolved.

10. POs with Options

a. Definition. An option is a unilateral right in a contract by which, for a specified time, the Government may elect to purchase additional supplies or services called for by the order or may elect to extend the term of the order.

b. Use of Options. Options may be included in acquisitions using SAP provided that the aggregate value of the acquisition and all options does not exceed the SAT (\$5 million dollars for requirements using the commercial item test program). The contracting officer may include options in an order when it is in the Government's interest.

(1) Inclusion of an option may not be in the Government's interest when, in the judgment of the contracting officer:

(a) The foreseeable requirement involves:

1. Minimum quantities; and
2. Delivery requirements far enough into the future to permit competition, production and delivery; or

(b) An indefinite delivery type PO would be more appropriate than a PO with options. However, this does not preclude the use of an indefinite delivery type PO with options.

(2) The contracting officer shall not employ options if;

(a) The contractor will incur risks (i.e., price or availability of materials or labor is not foreseeable);

(b) Market prices involved are likely to change substantially; or

(c) The option represents known firm requirements and funds are available unless:

1. Basic quantity is a learning or testing quantity and

2. Competition for the option is impracticable once the initial contract is awarded.

(3) In recognition of the Government's need in certain service contracts for continuity and the potential cost of disrupted support, options may be included in service contracts if there is an anticipated need for a similar service beyond the first contract period.

c. Solicitations

(1) Solicitations must include appropriate option provisions and clauses when resulting POs will provide for the exercise of options.

(2) Solicitations containing option provisions must state the basis of evaluation, either exclusive or inclusive of the option and, inform offerors that the Government may exercise the option at time of award.

(3) Solicitations must contain a separate line item for each option quantity and/or period.

(4) Solicitations that allow the offer of options at unit prices which differ from the unit prices for the basic requirement will state that offerors may offer varying prices for options, depending on the quantities actually ordered and dates when ordered.

(5) If it is anticipated that the Government may exercise an option at the time of award and if the condition specified in paragraph (4) above applies, solicitations should specify the price at which the Government will evaluate the option.

d. Evaluation. Quotations shall be evaluated by their aggregate firm fixed prices unless the contracting officer determines that is not in the Government's best interest, such as when there is a reasonable certainty that funds will be unavailable to permit exercise of the option. Aggregate prices are determined by adding the total price of all items and quantities for the option period.

e. PO

(1) The original PO may be issued on either the SF 1449 or the DD 1155 and shall be a bilateral document.

(2) The PO shall specify limits on the purchase of additional supplies or services or the overall duration of the term of the order including any extension.

(3) The order shall state the period the option may be exercised.

(4) The period shall be set so as to provide the contractor adequate lead-time to ensure continuous production.

(5) The period may extend beyond the contract completion date for service contracts. This is necessary for situations when exercise of the option would result in the obligation of funds that are not available in the fiscal year in which the contract would otherwise be completed.

(6) Unless otherwise approved per agency procedures, the total of the basic and options periods shall not exceed 5 years for supplies and services. Statutes applicable to various classes of contracts may place additional restrictions on length of POs.

(7) If identified in the solicitation, POs may express options for increased quantities of supplies or services in terms of:

- (a) Percentage of specific line items,
- (b) Increase in specific line items or
- (c) Additional numbered line items identified as the option.

(8) If identified in the solicitation, POs may express extensions of the term of the contract as an amended completion date or as additional time for performance; e.g., days, weeks or months.

f. Documentation. The contracting officer shall justify in writing the quantities or the term under option and the notification period for exercising the option and shall include the justification document in the file.

g. Exercise of Options

(1) When exercising an option, the contracting officer shall provide written notice to the contractor within the time period specified in the contract.

(2) The contracting office may exercise options only after determining that:

- (a) Funds are available,
- (b) The requirement covered by the options fulfills an existing Government need,

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(c) The exercise of the options is the most advantageous method of fulfilling the Government's need, price and other factors considered, and

(d) The option was synopsized, as applicable.

(3) The contracting officer, after considering price and other factors, shall make the determination on the basis of one of the following:

(a) A new solicitation fails to produce a better price, more advantageous offer than the option price. If the best price available is the option price or is more advantageous offer, the contracting officer should not use this method of testing the market.

(b) An informal analysis of prices or the market indicates that the option price is better than the market or the option is the more advantageous offer or,

(c) The time between the award of the contract containing the option and the exercise of the option is so short that it indicates the option price is the lowest price obtainable.

(4) The determination of other factors under (3) (b) above should take into account the Government's need for continuity of operations and potential cost of disrupting operations.

(5) Before exercising an option, the contracting officer shall make a written determination for the PO file that exercising the option is per the terms of the option clause and other requirements of this section.

(6) The contract modification (SF 30) or other written document that notifies the contractor that the Government has chosen to exercise the option shall cite the option clause as the authority to do so.

h. Solicitation Provisions and Contract Clauses. The contracting officer should insert provisions substantially the same as the provisions listed below as applicable.

(1) FAR 52.217-3, EVALUATION EXCLUSIVE OF OPTIONS (Apr 1984), is required when the solicitation includes an option clause and does not include one of the provisions prescribed in paragraph (b) or (c) above.

(2) FAR 52.217-4, EVALUATION OF OPTIONS EXERCISE AT TIME OF CONTRACT AWARD (Jun 1988) is required when the solicitation includes an option clause, a determination has been that there

is a reasonable likelihood that the option will be exercised and the option may be exercised at the time of the contract.

(3) FAR 52.217-5, EVALUATION OF OPTIONS (Jul 1990), is required in solicitations when the solicitation contains an option clause; an option is not to be exercised at the time of contract award; and a determination has been made that there is a reasonable likelihood that the option will be exercised.

(4) FAR 52.217-6, OPTION FOR INCREASED QUANTITY (Mar 1989), is required in solicitations and orders, other than those for services when the inclusion of an option is appropriate and the option quantity is expressed as a percentage of the basic order quantity or as an additional quantity of a specific line item.

(5) FAR 52.217-7, OPTION FOR INCREASED QUANTITY-SEPARATELY PRICED LINE ITEM (Mar 1989), is required in solicitations and orders, other than those for services, when the inclusion of an option is appropriate and the option quantity is identified as a separately priced line item having the same nomenclature as a corresponding basic order line item.

(6) FAR 52-217-8, OPTION TO EXTEND SERVICES (Nov 1999), is required in solicitation and orders for services when the inclusion of an option is appropriate.

(7) FAR 52.217-9, OPTION TO EXTEND THE TERM OF THE CONTRACT (Mar 2000), is required in solicitations and orders when the inclusion of an option is appropriate and it is necessary to include in the order a requirement that the Government shall give the contractor a preliminary written notice of its intent to extend the contract, a stipulation that an extension of the option, and/or a specified limitation on the total duration of the contract.

11. Distribution of POs. Activities should develop and maintain a management system for controlling the distribution of POs. The contracting office should establish a process that identifies, prioritizes and processes documents to ensure that required distribution is done in a timely manner. Areas that should be considered when prioritizing document preparation and distribution include:

- a. Urgency of the requirement,
- b. Payment terms of the order,
- c. Oral/confirming orders,
- d. Fast payment provisions,

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- e. Delivery requirements,
- f. Purchase of off-the-shelf items, and
- g. Any other factors that may inhibit timely processing of contractor invoices for payment.

CHAPTER 7B

MICRO-PURCHASE PROCEDURES

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that Use SAP

We have now defined the requirement, performed market research to determine if a commercial supply or service exists to meet our need, screened the requirement for its availability from the preferred Government sources of supply. Now we are going to look at those unique policies and procedures for the acquisition of those items at or below the micro-purchase threshold.

1. Scope. The GCPC is the required method of affecting micro-purchases within DON. This chapter will provide guidance on the solicitation and award of micro-purchases. Specific DON guidance on the use of the purchase card to procure micro-purchase requirements can be found in the EBUSOPSOFFINST 4200.1 series.

2. General. Micro-purchase threshold means \$2,500, except it means -

a. \$2,000 for construction subject to the Davis-Bacon Act; and

b. \$15,000 for acquisition of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack as prescribed in FAR 13.201(g) (1), except for construction subject to the Davis-Bacon Act (Pub. L. 108-136, Sec.1443).

The purchase card shall be used for all micro-purchases either as a procurement method or as a method of payment for requirements issued using traditional simplified acquisition methods (e.g., POs and BPA Calls) unless a written determination by an SES, flag or general officer is provided in the purchase file. Generally, micro-purchases may be awarded without soliciting competitive quotations. The contracting officer/buyer requests a quotation from one vendor and if he/she determines that the quoted price is fair and reasonable they award the procurement to the contractor offering the quotation. Although competition is not required, these purchases should be equitably distributed among qualified suppliers, when practicable.

3. Evaluation of Quotations. Quotations resulting from micro-purchases should be evaluated to ensure award is made at a fair and reasonable price. For example, if the contractor states that the price is based on a published catalog or price list and the contracting officer/buyer's past experience establishes that the price is fair and reasonable, no further work may be necessary. If there is still sufficient doubt as to the reasonableness of the price, other quotes might be solicited. Guidance on the evaluation of competitive solicitations can be found in Chapter 6. In addition to evaluating the prices paid there are other factors that may affect the total price and should be considered in the evaluation process. These include such items as expedited delivery charges, minimum order charges, special packing and marking charges and transportation charges. (Refer to Chapter 6 for further guidance on this issue.)

4. Purchase Methods. Contracting officers may use the purchase method that is most suitable, efficient and economical for the instant purchase requirement. Micro-purchases may be awarded using any of the purchasing methods found in FAR Part 13, DFARS 213, and this instruction. Detailed guidance on the use of each of these methods can be found in Chapter 7A.

5. Distribution of Ordering Documents. Each purchase activity should develop a process to ensure copies of applicable requisition or award documents are provided to personnel responsible for receiving, inspection and acceptance, funds obligation and payment.

6. Inspection and Acceptance. Supplies obtained using micro-purchase procedures are normally inspected and accepted at destination by personnel of the receiving activity. This inspection will generally consist of a visual examination of the type, kind, quantity, condition or damage, operability packaging and marking.

7. Close-Out of Purchase Files. Micro-purchase files may be considered closed when it has been determined that all required actions have been completed (i.e., evidence of receipt of property and final payment). The term purchase file is used regardless of where the official activity file is maintained. A purchase file that has been closed-out must contain a complete and accurate record of the chronology of the purchase action. The close-out file should consist of a copy of the following documents, a purchase request, a record of the solicitation and quotes received, order documentation, evidence of receipt, inspection and acceptance and a copy of the certified invoice and when practicable, evidence that final payment has been made.

CHAPTER 7C

CONTRACTING WITH SMALL BUSINESS

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of SAP, and Managing Contracting Offices that Use SAP.

We have now defined the requirement, performed market research to determine if a commercial supply or service exists to meet our need, screened the requirement for its availability from the preferred Government sources of supply. Now we are going to look at those unique policies and procedures relating to contracting with small business concerns.

1. Scope. This chapter provides guidance on contracting with small business concerns.

2. General. It is DON's policy to contract with small business concerns to the maximum extent practicable within the guidelines provided in FAR Subpart 19. Market research can be an important tool in determining whether small businesses can provide the supplies and services required by the Navy. Effective market research can assist the contracting officer in determining if the requirement should be set-aside or solicited on an unrestricted basis. To the maximum extent practicable contracting officer/buyers should combine the policies and procedures for acquiring commercial supplies and services into the process for contracting with small business. The following provides the procedures available to the contracting officer/buyer when contracting with small business concerns.

3. Contracting with 8A Concerns

a. General. Contracting officers should fully utilize the procedures for contracting with 8A Concerns found in DFARS 219.800 which provides increased flexibility for contracting officers using SAP. The guidance eliminates the requirement for offering and acceptance letters, authorizes unilateral POs (eliminating the requirement for the tripartite agreement) and authorizes issuing sole source solicitations without a sole source justification.

b. Procedures. Based on his/her review of available contractors identified on the Central Contractor Registration (CCR) website <http://www.ccr.gov>, click on "Dynamic Small Business Search" button), the contracting officer may evaluate the quote(s) of the competing contractor(s) and choose the contractor who, price and other factors considered, provides the

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best value to the Government. The contracting officer/buyer should make the award to the successful contractor if the price is determined fair and reasonable and the small business is considered responsible. The contracting officer is authorized to issue a unilateral PO to the prospective 8A concern chosen for the award.

c. Awards. Once the contracting officer/buyer awards the PO to the successful contractor providing him/her with a written copy of the PO, a second copy of the order must be forwarded to the local SBA office to verify the prospective contractor's eligibility. This can be accomplished by faxing a copy of the PO to SBA. (The originals must be sent under separate cover at a later date.) The PO must reference the SBA/DOD MOU authorizing the revised procedures. The contractor may begin performance 2 days after the SBA has received a copy of the PO.

4. Contracting with Very Small Business (VSB) and Total Small Business Set-Asides

a. General. If the contracting officer cannot make an award under the 8A Program, he/she should next attempt to award the requirement using the VSB Set-Aside or Total Small Business Set-Aside. See the solicitation procedures for each of these set-asides in Chapter 5.

b. Procedures. Based on adequate market research performed on the CCR website, internal source lists or other methods the contracting officer/buyer should set-aside the requirement as a VSB set-aside or Total Small Business Set-Aside and solicit the action per the policies and procedures found in Chapter 5. Where market research or the basic solicitation establishes there is no reasonable expectation two or more VSBs or small businesses will independently contend for the requirement, the contracting officer/buyer should dissolve the VSB or Total Small Business Set-Aside and resolicit the requirement on an unrestricted basis. Even when a requirement is solicited on an unrestricted basis, small business concerns can continue to compete for the award.

c. Awards. When the contracting officer/buyer solicits an adequate number of small business concerns and receives one or more acceptable quotations, he or she may make an award to the responsible VSB or small business, who in response to the solicitation offers the lowest price/best value to the Government based on the source selection criteria established in the solicitation. The award can be made on either a DD 1155 or SF 1449.

5. Contracting with Service-disabled Veteran-owned Small Business

a. General. The contracting officer may set-aside acquisitions exceeding the micro-purchase threshold for competition restricted to service-disabled veteran-owned small business concerns when offers will be received from two or more service-disabled veteran-owned small business concerns and the award will be made at a fair market price. See the solicitation procedures for each of these set-asides in Chapter 5.

b. Procedures. Based on adequate market research performed on the CCR website, internal source lists or other methods the contracting officer/buyer should set-aside the requirement as a service-disabled veteran-owned small business set-aside and solicit the action per the policies and procedures found in Chapter 5.

c. Awards. If only one acceptable offer is received from a service-disabled veteran-owned small business concern in response to the set-aside, the contracting officer should make the award to that concern. The award can be made on either a DD 1155 or SF 1449. If no acceptable offers from service-disabled veteran-owned small business concerns are received, the set-aside shall be withdrawn and the requirement, if still valid, shall be set aside for small business concerns.

6. Sole Source Awards to Service-disabled Veteran-owned Small Business Concerns. A contracting officer may award contracts to service-disabled veteran-owned small business concerns on a sole source basis when only one service-disabled veteran-owned small business concern can satisfy the requirement; the anticipated award price of the contract (including options) will not exceed \$5 million for a requirement within the North American Industry Classification System (NAICS) codes for manufacturing or \$3 million for a requirement within any other NAICS code; the service-disabled veteran-owned business concern has been determined to be a responsible contractor with respect to performance; and the award can be made at a fair and reasonable price.

CHAPTER 7D

ACQUISITION OF COMMERCIAL ITEMS ABOVE SAT

USING SIMPLIFIED ACQUISITION PROCEDURES

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices Using SAP.

We have now defined the requirement, performed market research to determine if a commercial supply or service exists to meet our need, screened the requirement for its availability from the preferred Government sources of supply. Now we are going to look at those unique policies and procedures relating to using SAP above the SAT.

1. Scope. This chapter will discuss the use of the procedures found at FAR 13.5 providing for the acquisition of commercial items using SAP up to 5 million dollars.

2. Definitions. Commercial Items. Any item other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than Governmental purposes and

a. Has been sold, leased or licensed to the general public;
or

b. Has been offered for sale, lease or license to the general public.

(A full definition can be found at FAR 2.102)

3. General Policy

a. Prior to using the procedures found in this chapter, contracting offices must have appropriate delegation of authority from their respective Head Contracting Activity (HCA).

b. DON contracting offices should evaluate each requirement to determine its availability for award using the procedures of this chapter.

c. The contracting officer/buyer must identify in the solicitation that the procedures of FAR 13.5 will be used in this particular acquisition.

d. Small Business Considerations. Contracting officers shall review each acquisition to determine if it can be set-aside for small business participation considering the recommendations of the activity Small and Disadvantaged Business Utilization Specialist.

(1) Contracting officers shall set-aside acquisitions over the SAT for small business participation when there is a reasonable expectation that

(a) offers will be obtained from at least two responsible sources offering the products of small business and,

(b) the award will be made at a fair and reasonable price.

(2) Contracting officers must include the clause at FAR 52.219-8, utilization of small business concerns in all solicitations and purchase actions using the procedures of this chapter. The clause establishes the Government's policy that contractors who receive contracts exceeding the SAT must agree that small business; small disadvantaged business concerns and women-owned business will be afforded the maximum practicable opportunity to participate in contract performance. Additionally, the contracting officer must include FAR 52.219-9, small business subcontracting plan in all solicitations and purchase actions that exceed \$500,000 and are required to include the clause at FAR 52.219-8.

e. Subcontracting Considerations. The contracting officer must, based on market research, previous knowledge or other available information, make a determination as to the availability of subcontracting possibilities under any given procurement. Where it is determined that subcontracting possibilities do not exist, the contracting officer must make a written determination, have it approved at one level above the contracting officer and include the determination in the procurement file.

f. Sole Source Determinations. The contracting officer must ensure that sole source acquisitions are adequately documented and a written sole source justification is prepared and a justification and approval issued per the format provided at FAR 6.303-2. The justification and approval must be modified to reflect that the acquisition was accomplished under the authority of the test program for commercial items (section 4202 of the Clinger-Cohen Act of 1996). Additionally, the approval levels identified in FAR 13.501 must be obtained for all sole source justifications.

g. Legal Review. Simplified acquisitions are not exempt from review by the Office of Counsel. Activities should follow

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existing legal review instructions to ensure requirements accomplished under the test receive the appropriate legal review.

h. File Documentation. Contracting officers must document the procurement file with a brief description of the procedures used in awarding the procurement (e.g., BPA, PO). This must include a statement that the test procedure was used, the number of offers received, an explanation of the basis for the award decision and any justifications and approvals obtained for the procurement. In addition, the contracting officer/buyer must include in the purchase file a written determination of commerciality, results of any market research that was conducted, the review by the small business specialist, a sole source justification (including the Justification and Approval (J&A) required by FAR subpart 6) and the final award document. A sample of a SAP Business Clearance that summarizes the required documentation of an award issued under the test program can be found at the end of this chapter.

(1) Contracting officers should use the same standard PIIN found in DFARS 204.70 for all simplified acquisition awards including those using the policies and procedures of this chapter. In addition, contracting officers shall code the DD 350 for commercial items using this chapter by checking the following blocks with appropriate information:

- (a) Block B-13A (9),
- (b) Block B-14 (c) or (d), and
- (c) Block C-14 (y).

4. Procedures

a. Contracting officers/acquisition team members should describe items in terms of commercial items. (See Chapter 2 of this instruction.) The description of agency need must contain sufficient detail for potential offerors of commercial items to provide quotations on those commercial products or services that may be suitable for the Government's requirements.

b. Based on developing an adequate description as provided above, contracting officers should perform market research to determine if commercial items are available to meet the Government's requirement (See Chapter 2).

c. If it is determined that a commercial item is available and can meet the Government's need, the contracting officer should:

(1) Evaluate the requirement for small business and subcontracting possibilities;

(2) Synopsise the requirement using either the combined synopsis procedures or the standard synopsis procedures found in FAR subpart 5. The contracting officer should clearly indicate in the synopsis or solicitation that the requirement will be awarded using the procedures at FAR 13;

(3) If the contracting officer chooses to issue a written solicitation after synopsis, it should be issued on a SF 1449;

(4) Issuance and documentation of sole source requirements/solicitations should be accomplished per paragraph 3(f) of this chapter;

(5) After evaluation for award, the contracting officer should issue a unilateral PO on a SF 1449. However, the contracting officer may award a bilateral PO based on the complexity and nature of the requirement; and

(6) Contracting officer may establish BPAs which authorize the contracting officer to issue BPA calls up to \$5 million dollars using the policies and procedures identified above.

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SAP BUSINESS CLEARANCE

(This document satisfies the requirements of FAR 13.501(b)
Contract File Documentation)

1. SUMMARY OF KEY DOCUMENTS

- a. Solicitation N68171-
- b. Contractor's Proposals: (List name(s) and date(s))
 - (1) Exhibits
 - (a) Abstract of Offers
 - (b) Other, as applicable

2. BACKGROUND

a. Background

(1) Describe what is being acquired, period of performance, total value, etc.

(2) Include options, whether or not there was a previous contract, and if this represents a conversion to FAR Part 12.

b. FAR Subpart 13.5 Test Procedures. This acquisition is being conducted under the FAR 13.5 test procedures for commercial items.

c. Solicitation/Offers. State when the solicitation was issued and when it closed; how many offers were solicited; how many offers were received and from whom.

3. SOURCE SELECTION

a. Insert the text of your evaluation or award clause from the solicitation. If this is a best value and you used adjectives, include the adjectives and their definitions here or as an attachment.

4. EVALUATION OF OFFERS

a. Do a matrix here (with all the criteria, as applicable) by company name (with the apparently successful offeror on top), with a technical rating, and past performance rating and price. Then do a brief summary on each.

	Technical	Past Performance	Price
Company x	Acceptable	Better	\$385,000
Company y	Acceptable	Satisfactory	\$450,000

SAP BUSINESS CLEARANCE

b. Technical. If technical proposals were required, and the evaluation basis is low priced technically acceptable, indicate the evaluation of each offeror (i.e, technically acceptable, technically unacceptable and why it was not acceptable). If the offers were evaluated on a best value basis, state the adjectival rating received and briefly describe the rating. Attach the written evaluation.

c. Past Performance. If past performance was evaluated, say how it was evaluated (by telephone, Procuring Contracting Officer (PCO) knowledge of the company, etc.) and the results for each offeror (the offeror submitted three references, three questionnaires (or whatever) were sent, two responses were received and summarize the responses). Draw an overall conclusion on a rating.

d. Pricing. State that the abstract of offers is provided as Exhibit. You have already shown the total pricing for each offeror above. Here, you just want to justify the price of your apparent winner.

If you have fair and reasonable pricing based upon adequate price competition, then state so here citing FAR 15.805-2. If not, then proceed with whatever approach you need to determine the price is fair and reasonable. Also, always compare the price to the existing contract (if there was one) and to the Independent Government Estimate (IGE). Explain any differences. (Perhaps the IGE was too low, but say why.)

5. BASIS FOR AWARD DECISION

a. Here you will put something to the effect that the offer from John Doe represents the offer that is most advantageous to the Government, price and other factors considered.

John Doe is technically acceptable.

John Doe has a past performance rating of outstanding

John Doe is the second low offeror, with just a 1 percent difference in price (the low offeror, Ajax had a past performance rating of acceptable).

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The price proposed by John Doe has been determined fair and reasonable based upon adequate competition and in comparison to the IGE and in comparison to historical pricing (whatever we based the decision on).

Based upon the criteria in the solicitation, John Doe is the selected awardee.

6. RESPONSIBILITY

- a. See FAR Subpart 9.

CHAPTER 8

PAYMENTS

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that use SAP.

We have now defined the requirement, performed market research, screened the requirement for its availability from the preferred Government sources of supply, solicited and evaluated quotations and awarded the requirement. Now we are going to look at those policies and procedures relating to payments.

1. Scope. This chapter provides payment procedures that apply to all DON shore purchasing activities.
2. General. The Government has an obligation to ensure contractors are paid in a timely manner for supplies and services they provide to DON activities. Buyers and contracting officers must include invoicing instructions for the contractor when preparing and issuing orders using SAP. This chapter prescribes payment procedures to be used when issuing electronic orders, BPAs, POs and delivery orders.
3. Prompt Payment. FAR 32.9, DFARS 232.9 and Navy Marine Corps Acquisition Guide (NMCAG) G5232.9 prescribe policies, procedures and clauses for implementing the Office of Management and Budget (OMB) Circular A-125, Prompt Payment. These references require DON activities to pay for supplies and services accepted by the Government within specific time limits after receipt of a prior invoice to avoid paying the contractor automatic interest penalties for late payments. For Prompt Payment purposes, every contract, including actions accomplished by SAP, should include on its face whether the payments under it are (a) Subject to the seven calendar day constructive acceptance period, (b) Subject to acceptance terms other than (1) above, or (c) Not subject to the Prompt Payment Act.
 - a. Proper Invoice. The Prompt Payment Act requires the contractor to submit a proper invoice to the billing office stipulated by the contracting officer in the order. If the contractor's invoice does not comply with the invoicing requirement in the order, the contractor must be notified of the defect(s) on the invoice within the following time frames; 7 calendar days, 3 days for meat, meat food products, or fish; and 5 days for perishable agricultural commodities, dairy products, edible fats or oils and food products prepared from

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edible oats or oils after receipt of the invoice at the designated billing office.

These requirements are:

- (1) Name and address of contractor;
- (2) Invoice date and invoice number;
- (3) Contract number, PO number, or BPA and BPA call numbers and contract line item number;
- (4) Item description, quantity, unit of measure, unit price and extended price of supplies delivered or services performed;
- (5) Shipping and payment terms (e.g., shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading;
- (6) Name and address of contractor official to whom payment is to be sent. (Must be the same as that in the contract or in a proper notice of assignment.)
- (7) Name (where practicable), title, telephone number, and mailing address of person to be notified in event of a defective invoice;
- (8) Taxpayer Identification Number (TIN). The contractor must include its TIN on the invoice only if required by agency procedures;
- (9) Electronic Funds Transfer (EFT) banking information and
- (10) Any other information or documentation required by the terms and conditions stated in the order (such as evidence of shipment, etc.).

b. Payment Due Dates. The payment due date for most supplies and services is the 30th calendar day after the later of either the receipt date of a proper invoice by the designated billing office or the Government acceptance date of supplies delivered or service performed. Special attention should be given to the payment due dates of not later than:

- (1) Seven calendar days after product delivery of fresh or frozen meat, poultry, fish or eggs; or their perishable products;

(2) Ten calendar days after product delivery of perishable agricultural commodities or dairy products; and

(3) Fifteen calendar days after the date of shipment or receipt listed on the invoice if the order also contains FAR Clause 52.213-1, Fast Payment Procedures (see the paragraph entitled Fast Payment Procedures in paragraph 4 below).

c. Interest Penalties. An interest penalty will be automatically assessed and paid by the designated payment office identified in the order if the payment is not made by the required due dates and a proper invoice was received by the billing office. An interest penalty will also be assessed when a proper invoice was received by the billing office or a receiving report authorizing payment was processed and there was no disagreement over quantity, quality or contractor compliance with any contract term or condition.

d. Purchasing Office Responsibility. FAR Clause 52.232-25 should be incorporated by reference in solicitations and orders for other than commercial items. The applicable information has already been incorporated when commercial items are being procured using policy and clauses in FAR Part 12. However, since the full text is not provided to contractors, the purchasing office should have a procedure in place for ensuring receiving, inspection, acceptance and billing office personnel are aware of the time frames involved in the prompt payment process. In addition, purchasing personnel must provide the contractor clear instruction on how and where to submit his/her invoice.

e. EFT. All solicitations and resulting awards that:

(1) Will not be paid by use of the GCPC,

(2) Are issued by contracting officers within the United States and Puerto Rico, and

(3) Are denominated and paid in United States currency, shall contain a clause pertaining to payment by EFT.

The clause at FAR 52.232-33 Payment By Electronic Funds Transfer-Central Contractor Registration will be included in all solicitations and orders, other than those noted above, unless the payment office has notified the contracting officer of its inability to make EFT payments. The clause at FAR 52.232-34, Payment By Electronic Funds Transfer-Other Than Central Contractor Registration will be included in all other solicitations and orders. These clauses require the contractor to submit directly to the payment center the name of the financial institution that will be receiving the electronic

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funds transfer. Additionally, the following code designating electronic payment will be noted in paper orders containing the clause at the FAR 52.232-33: EFT:T. The code will be included immediately above or below the payment office address lines.

FAR Clause 52-232.33 has already been incorporated in clauses prescribed in FAR Part 13 for commercial items.

4. Fast Payment Procedures. The fast payment procedures (commonly called Fast Pay) are designed to allow payment under limited conditions to a contractor prior to official receipt and acceptance of supplies by the Government representative at the destination. Fast payment procedures provide for provisional payment of a contractor's invoice based on submission of his/her invoice that constitutes a certification the contractor has delivered the supplies to a post office, common carrier or point of first receipt by the Government and agrees to replace, repair, or correct supplies not received at destination, damaged in transit or not conforming to the description in the award document. The contracting officer is primarily responsible for ensuring that the contractor fulfills his/her obligations under the fast payment order and collects all debts resulting from the failure of the contractor to properly replace, repair or modify supplies lost damaged or not conforming to purchase requirements.

a. Conditions for Use. This payment procedure may only be used if all the following conditions are present.

(1) Individual Orders, including delivery orders issued against FSS and indefinite delivery type contracts or POs, are firm-fixed priced supply orders which do not exceed \$25,000 (Unless otherwise authorized by the agency).

(2) The destination (i.e., final consignee) is an Afloat Unit, a U.S. Government agency or facility/office located in a remote area (i.e., outside the continental United States, Alaska, Hawaii, or other overseas locations) or instances where the geographical separation between the Government receiving and paying office makes it impractical to make timely payment based on evidence of Government acceptance.

Since payment is based on evidence of acceptance at the aforementioned destinations and can be unduly delayed, Government ownership will occur upon representation by the contractor that delivery has been made to a post office, common carrier or other means of shipping (payment shall be due within 15 calendar days after receipt of a proper invoice).

(3) Title to the supplies passes to the Government.

(a) Upon delivery to a post office or common carrier

for mailing or shipment to destination or common carrier.

(b) Upon receipt by the Government if the shipment is by means other than Postal Service or common carrier.

(4) The contractor agrees to repair, replace or modify supplies not received at destination, damaged in transit or not conforming to purchase requirements;

(5) The purchasing instrument is a firm fixed priced contract, PO, BPA call or delivery order for supplies; and

(a) Administration shall be retained by the purchasing office,

(b) The contractor must agree to prepay transportation or postage expenses to the final destination or the point of first receipt by the Government which ever is applicable. If unit prices do not include these transportation charges, the order shall be labeled as required under F.O.B Origin Freight Prepaid Terms,

(c) The order must include the date by which the shipment must be delivered to the post office, common carrier or the point of first receipt by the Government,

(d) The order shall notify the contractor to mail the invoice directly to the payment office and will include the payment office address and telephone number,

(e) The order shall include the destination address unless the contractor is to deliver to a location stipulated as the point of first receipt by the Government. In this case, the schedule shall include the name and address of the first point of consignment as the ship to location and name and address of the final consignee as the mark for destination,

(f) The order shall include the words FAST PAY in bold letters,

(g) FAR Clause 52.213-1, Fast Payment Procedures and FAR Clause 52.232-25, Prompt Payment, shall be incorporated by reference in each PO. In the case of delivery orders or BPAs, the clause must have been incorporated in the basic contract or agreement, and

(h) The final consignee's copy of the ordering document shall contain, or have attached to it, instructions and deadlines for notifying the purchasing office if supplies are not received, damaged in transit or not conforming to the specifications in the order.

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(6) Receipt and Acceptance. The purchasing activity will establish a system to ensure regular follow-up with final consignees to ensure the receipt and conformance information is obtained within required time constraints. The final consignee shall be required to provide the purchasing office with a Report of Receipt, Non-Receipt or Nonconformance card, or other document(s) that includes similar information. The report is due within 10 days after receipt stating the material conforms or does not conform to requirements of the order. The final consignee is also required to notify the contracting officer of non-receipt of material within 30 days of the receipt date noted in the order. If the purchase request is in the MILSTRIP System, this notification is not necessary.

b. Control of Fast Pay Orders. Activities using Fast Pay orders shall establish internal operating procedures to ensure that contractors authorized the use of the procedures do not abuse Fast Payment procedures. Adequate tracking and receipt control must be established to ensure the customer receives the correct goods in a timely fashion. In addition, activities issuing more than 10 fast pay orders per year must establish internal operating procedures that identify contractors who have received fast payment orders and not conformed to the required procedures. Activities must establish an internal list of contractors who are ineligible for future fast payment orders based on prior experiences in which they did not comply with fast payment ordering procedures.

CHAPTER 9

USE OF THE GOVERNMENT COMMERCIAL PURCHASE CARD AS A METHOD OF PAYMENT

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices that Use SAP.

We have now defined the requirement, performed market research, screened the requirement for its availability from the preferred Government sources of supply, solicited and evaluated quotations and awarded the requirement. Now we are going to look at those policies and procedures relating to making payments using the GCPC.

1. Scope. This chapter will provide DON's guidance for using the purchase card as a method of payment up to \$9,999,900. (Additional guidance on the use of the purchase card for micro-purchases and the use of the purchase card as a method of payment for cardholders may be found in the EBUSOPSOFFINST 4200.1 series.

2. General. The purchase card is intended to streamline DON's financial management and procurement processes by reducing the administrative burden associated with traditional and emergency purchases of supplies and services. The Purchase Card Program Reengineering Memorandum #6 issued by the Under Secretary of Defense mandated the use of the purchase card as a payment vehicle for commercial invoices valued at or below the micro-purchase threshold. For commercial invoices above the micro-purchase threshold, use of the purchase card as a method of payment is highly encouraged.

3. Policy. The Under Secretary of Defense (Acquisition and Technology) has mandated the use of the purchase card as either a purchase method or method of payment for all actions below the micro-purchase threshold. A written determination by a member of the SES, Flag or general officer is required for any type of award/order valued at or below the micro-purchase threshold that does not use the purchase card on a stand-alone basis or as a method of payment. The written determination must state that the source or sources of supply available for the supply or service do not accept the purchase card and that the contracting activity is seeking sources that will accept the purchase card. This authority is delegatable to the level of the senior local commander or director.

It is DON's policy that all micro-purchases be awarded using the GCPC regardless of the method unless the applicable exception is authorized. In addition, the use of the purchase card to pay for purchase/contract actions above the micro-purchase threshold is highly encouraged. Contracting officers should structure BPAs, POs and IDIQs/Basic Ordering Agreements (BOAs) to ensure that awards/orders valued in excess of the micro-purchase threshold (e.g., schedule CLINS and invoice instructions) to minimize the generation of invoices valued at or below the micro-purchase threshold. Contracting officers and ordering officers are responsible for all contract reporting resulting from the purchase card being used as a method of payment for the contracting methods discussed below.

This chapter will provide policies and procedures for the use of the purchase card as a method of payment for micro-purchase requirements and requirements above the micro-purchase threshold.

4. Procedures

a. POs. The following procedures must be used when issuing POs using the purchase card as a method of payment. Contracting officers may use these procedures for both commercial and non-commercial items. Contracting officers may issue POs up to SAT (\$5 million dollars for commercial items) and authorize the use of the purchase card as a method of payment. Contracting officers may use either the DD 1155 or SF 1449 to execute the order per applicable guidance.

(1) The contracting officer shall ensure that a proper requisition document (See Chapter 2) is provided prior to any purchase action. The requisition can be supplied either in writing or electronically and indicate that the PO will be paid using the purchase card. (The requisition should include the cardholders' name and phone number.)

(2) The contracting officer must include in all solicitations and resulting awards where the purchase card will be used as a method of payment, the clause at FAR 52.232-36, Payment by Third Party. The clause requires the contracting officer to:

(a) Identify the third party and the particular purchase card to be used; and

(b) Not include the purchase card account number. The purchase card account number should be provided separately to the contractor.

In addition, the DD 1155/SF 1449 should be annotated that payment will be made via the GCPC. In addition, the schedule of the PO will include the name of the cardholder and his/her telephone number.

(3) The contracting officer should solicit the requirement per the instructions provided previously in this instruction.

(4) Once the prospective contractor is chosen, the contracting officer shall make the award by:

(a) Calling the contractor and providing the respective PO number. The contracting officer must instruct the contractor not to ship until the cardholder contacts him and receives the cardholder's account number. In addition, the contractor must be instructed not to include any purchase card information on any shipping/packing documents;

(b) Communicating with the cardholder (FAX, e-mail or by telephone) that the PO has been issued and that he/she must contact the vendor with the purchase card account information. (The information should include the vendor name, address, telephone number and total price of the order.)

(c) Instructing the cardholder to call the contractor, verify the order and provide their account information. The cardholder should be instructed to contact the contracting officer if there are any discrepancies in the order (The cardholder should be instructed that he/she cannot change the order as placed by the contracting officer.)

(d) Providing a copy of the PO and terms and conditions to the contractor and cardholder; and

(e) If the PO is an unpriced PO for repair services (See Chapter 7 for specific details.) the contractor must be instructed not to proceed beyond the original ceiling (authorization) without prior approval of the purchase cardholder.

b. Blanket Purchase Agreements (BPAs). Contracting officers may establish BPAs (for both commercial and non-commercial items) that authorize cardholders to place oral orders and pay for them using the GCPC. BPA calls may be issued up to SAT (\$5 million dollars for BPAs established for the acquisition of commercial items). Contracting officers may establish BPAs on DD 1155s or SF1449s.

(1) BPAs. Contracting officers should establish BPAs that authorize the use of the purchase card to pay for BPA calls. The purchase card may be used to pay for priced and

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unpriced BPA calls. The following procedures apply when issuing BPAs and authorizing BPA calls to be paid for using the purchase card;

(a) The contracting officer shall ensure that FAR 52.232-36, Payment By Third Party, is in the basic agreement. In addition, the DD 1155 or SF 1449 shall indicate that payment will be made via the purchase card.

(b) The BPA must state the limit of the individual calls under the BPA. Calls payable by the purchase card shall not exceed SAT (\$5 million dollars for commercial items). However, calls against BPAs established under FSS contracts may be paid up to \$9,999,900.

(c) Persons authorized to place BPA calls must have a Certificate of Appointment (SF 1402) reflecting their appropriate procurement authority and individual call limitation. (If the BPA caller is also the purchase cardholder, the warrant should also reflect the limits of their purchase card authority.)

(d) Before a call is placed, the BPA caller (cardholder) must receive a valid requisition, either in writing or electronically. The requisition must indicate that the call will be paid for using the purchase card.

(e) When the authorized BPA caller places the call, the caller should instruct the contractor not to ship until the purchase cardholder provides their purchase card account information. (The BPA caller should provide the contractor with the name and phone number of the respective purchase cardholder.)

The purchase cardholder should instruct the vendor not to include the purchase card account number on any shipping/packing documents.

(f) The BPA caller should inform the purchase cardholder that the call was issued (via FAX, e-mail or by telephone) and to provide the contractor with their purchase card account information. The purchase cardholder should be instructed not to change the terms and conditions of the order placed.

(g) If the BPA authorizes unpriced BPA calls for repair services (See Chapter 7 for specific details) the contracting officer should instruct the contractor not to proceed beyond the original ceiling (authorization) without prior approval by the purchase cardholder.

(2) Letters of Agreement (LOAs). Contracting officers are encouraged to establish LOAs for customer activities whose contracting authority is limited to the use of the purchase card. (See Chapter 7 for details on establishing LOAs.) LOAs are BPAs designed specifically for contracting officers limited to the use of the purchase card. LOAs authorize cardholders to place orders and pay for those oral orders using the purchase card up to \$25,000. A sample LOA can be found in enclosure (5) to this instruction. The following policies and procedures apply to establishing LOAs for purchase cardholders;

(a) Contracting officers should ensure that all LOAs are issued per Chapter 7 of this instruction. (Additional guidance on cardholder use of LOAs can be found in Chapter 4 of the EBUSOPSOFFINST 4200.1 series.)

(b) Contracting officers should ensure that all cardholders authorized to use the LOAs complete the required training per Chapter 2 of EBUSOPSOFFINST 4200.1 series and have an appropriate delegation of authority to use the card against LOAs up to \$25,000. (Cardholders must be warranted on a SF 1402 to use LOAs.)

(c) Contracting officers should review LOAs on a semi-annual basis per the guidance found in Chapter 7 on BPA Reviews.

c. Delivery Orders Issued Against Federal Supply Schedules (FSS) Contracts

(1) To use the purchase card as a method of payment against FSS contracts the following policies and procedures must be followed.

(a) The FSS contract must authorize the use of the purchase card as a method of payment for oral orders placed against the schedule.

(b) Ordering officers and purchase cardholders acting within their delegated authority are authorized to place orders against GSA Schedule contracts. Prior to placing any FSS Schedule contract orders, ordering officers/purchase cardholders must receive a proper delegation of authority on a letter of delegation or SF 1402 Contracting Officer's Warrant.

(c) The ordering officer/purchase cardholder shall obtain the contractor's acceptance of the order and document the oral order in the purchase file; ensure the contractor agrees to furnish a delivery ticket for each shipment under the order (in the number of copies required by the ordering office). The ticket must include the contract number, order number under the contract, date of order, name and title of person placing the

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order, itemized listing of supplies or services furnished and date of delivery or shipment.

(d) If the ordering officer/contracting officer is issuing an order on behalf of a cardholder, he/she must obtain the contractor's acceptance of the order either orally or by providing a written delivery order. The contracting officer should then provide the purchase cardholder's name and telephone number to the contractor.

(e) The ordering officer should notify the cardholder (via FAX, e-mail, and telephone) that a schedule order has been placed and that the cardholder should provide his/her card information to the contractor. The cardholder should be instructed not to change any of the terms and conditions of the schedule order.

(f) The contractor should be instructed not to begin performance prior to obtaining the purchase card account information from the cardholder. The ordering officer should instruct the contractor not to include any purchase card account information on the shipping/packing documentation.

d. IDTC/BOAs/Orders Against IDTCs/BOAs/Task Order Contracts

(1) IDTC/BOAs. Contracting officers should issue IDTC/BOAs that authorize the use of the purchase card as a method of payment for either written or oral delivery or task orders. The purchase card may only be used to pay for firm fixed priced delivery/task orders issued against IDTCs. The following policies and procedures should be used by contracting officers establishing IDTCs and BOAs where the purchase card will be used as method of payment for delivery/task.

(a) The contracting officer should stipulate in the solicitation and award document that the purchase card will be used to pay for written and oral delivery orders issued under the contract. In Section G of the contract, Ordering Procedures, the contracting officer should tailor the procedures to:

1. Authorize oral orders,
2. Authorize the payment of individual delivery/task/BOA order by the purchase card, and
3. Provide guidance on confirming oral orders.

(b) In addition, the contracting officer will include in the solicitation and contract award document FAR Clause 52.232-36, Payment By Third Party;

(c) Each delivery order should state in block 15 of the DD 1155 or block 18A of the SF 1449 that the purchase card is the method of payment for individual orders.

(d) Prior to issuing a delivery/task/BOA order on behalf of a purchase cardholder the contracting/ordering officer should ensure that the cardholder has an appropriate delegation of authority authorizing them to make payment against orders up to the required amount of the expected order.

(e) The contracting officer/ordering officer should issue the delivery/task/BOA order to the contractor per the contract provisions. The contracting/ordering officer should remind the contractor that he/she cannot bill until after the supplies or services have been provided.

(f) Contracting officer/ordering officers should notify the purchase cardholder either in writing, via FAX, e-mail or other electronic means that the order has been placed and that he/she should call the contractor and give the contractor his/her purchase card account number.

(g) The contracting officer should remind the purchase cardholder that he/she cannot change any terms and conditions of the order or the basis contract.

(h) The contracting ordering officer is responsible for all contract reporting for orders issued against IDTCs or BOAs.

CHAPTER 10

ADMINISTRATION OF SIMPLIFIED ACQUISITIONS

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions, Managing Contracting Offices that use SAP.

We have now defined the requirement, performed market research, screened the requirement for its availability from the preferred Government sources of supply, solicited and evaluated quotations, awarded the requirement and made payment. Now we are going to look at those policies and procedures relating to the administration of simplified acquisitions. The administration of purchases awarded using simplified acquisitions procedures begins immediately after award. Administration includes performance, monitoring the quality of contractor performance, follow-up, monitoring of timely delivery/performance and any modifications to the award that become necessary as a result of changes in the requirement after award.

1. Scope. This chapter prescribes procedures for administration of purchases awarded using SAP. The contract administration function as covered in this chapter includes all facets of administration performed after contract award including inspection and acceptance, modifications to awards, maintenance, close out and retention of contract files and contract reporting requirements.

2. Inspection and Acceptance

a. Inspection and Acceptance at Destination. Simplified acquisition actions are generally inspected and accepted at destination. Generally, all contract administration is performed at the purchasing office issuing the order.

b. Contracting Officers Representatives (COR). Contracting officers/buyers may elect to appoint a COR to monitor contractor performance/delivery. The COR must be appointed in writing and a complete list of duties must be included in his/her appointment letter. Generally, CORs are appointed under awards for services in which monitoring of contractor performance ensures the Government gets the quantity and quality of service agreed upon.

c. Inspection and Acceptance at Source. In instances where critical items are being ordered, contractor inspection is required, or other cases requiring administration beyond the

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capability of the issuing office, a contract administration organization is assigned to administer the order. If such an organization is assigned to perform inspection and acceptance (i.e., inspection and acceptance at source), they will perform all other contract administration functions as well.

The Defense Contract Management Command (DCMC) is the organization that provides contract administration support for DOD. DCMC is divided into districts throughout the country called Defense Contract Management Districts (DCMDs) which are further broken down into management areas known as Defense Contract Management Area Operations (DCMAO) offices. Administration of the PO is assigned to the management area for the city and state where the contractor is located. To determine which DCMD to assign, use the current edition of DOD Directory of Contract Administration Services Components, DLAH 4105.4. Once you determine the correct management area for administration, you then determine which management area office will perform inspection and where acceptance will take place. This may or may not be the same as the address of the contractor with whom the order was placed. The correct DCMD office will be noted in the administered by block on the DD 1155 or SF 1449.

3. Modification of POs. POs may be modified to change price, delivery, terms and conditions, etc. A PO may be modified by use of

a. SF 30, Amendment of Solicitation Modification of Contract or

b. An agency-designed form or an agency-approved automated format.

Each PO modification shall identify the order it modifies and shall contain an appropriate modification number. The contracting officer shall sign each modification. Modification shall also contain the statute or regulation under which the modification is being accomplished. Examples of some of the common legal basis under which modifications are issued include 10 U.S.C. 2304(g), the Changes Clauses or the Options Clause.

a. Modification Types. There are two types of modifications, unilateral and bilateral. Bilateral modifications are also known as supplemental agreements. The type of modification issued will depend on the change(s) to be made. Contracting officers need not obtain a contractor's written acceptance of a modification to a purchase or delivery order unless the written agreement/acceptance of the changes are required. Cardinal changes to the contract must be accomplished using a bilateral modification.

b. Unilateral Modification of POs. The unilateral modification allows the contracting officer to make changes to a PO without obtaining the contractor's written acceptance. Three types of unilateral modifications are generally authorized within SAP. They include administrative modifications, unilateral modifications and change orders.

(1) Administrative Change. An administrative change is a modification, primarily of an administrative nature, which does not alter the essential agreement between the parties. The contracting officer may make administrative changes without requiring the contractor's acceptance and should have Block 13B of the SF 30 checked. Examples of this type of modification include:

- (a) Changes in the paying office,
- (b) Changes in accounting data, and
- (c) Corrections of typographical errors.

(2) Unilateral Modifications. Unilateral modifications may be issued to make changes to a unilateral PO under the following conditions.

(a) The modification must be issued prior to commencement of performance and be within the scope of the original order.

(b) Agreement must be obtained from the contractor on the proposed change/withdrawal and the resulting modification (SF 30) must be annotated with a reference to the contractor's confirmation and agreement of the proposed change. (This may be a reference to a phone conversation or written correspondence from the contractor.)

(c) Block 13(d) of the resulting SF 30 must be annotated to reflect the issuance of an authorized unilateral modification.

(3) Change Orders. A change order is a unilateral, written order signed by the contracting officer. It is accomplished under the authority of the Changes Clause existing in the present contract action that directs the contractor to make changes within the general scope of the PO and is identified by checking Block 13A of the SF 30. Although seldom used to modify POs, a change order can be issued under the following conditions.

(a) A change order can only be made to a bilateral PO in which the applicable Changes Clause has been incorporated

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into the original PO or has been incorporated via bilateral modification.

(b) The proposed change must be within the scope of the original order and allowable under the changes clause as follows:

1. For supplies, drawings, designs or specifications where supplies to be furnished are to be specially manufactured for the Government per those drawings, designs, or specifications; method of shipment or packing; or place of delivery;

2. For services, description of services to be performed; time of performance or place of performance of the services; or

3. For services where supplies are to be furnished items in 1 and 2 above.

(c) Equitable adjustment. After issuance of the change order, the contractor has the right to make a claim for an equitable adjustment if accomplishing the required change causes an increase in the cost of completing the required performance. The contractor is required to make the claim within 30 days from the date of the notification of change. The contracting officer shall review the claim for acceptance or negotiation. After agreement with the contractor is reached, a SF 30 Supplemental Agreement must be issued to definitize or finalize the total cost of the change order.

(d) As a change order almost always requires definitization, it is generally preferred to negotiate an agreement with the contractor and issue the change as a supplemental agreement. Change orders to POs are normally used only in emergency situations when the change must be made immediately and time is not available to negotiate with the contractor.

c. Bilateral Modification or Supplemental Agreement. A supplemental agreement is any modification mutually arrived at by both parties. A supplemental agreement must be signed by both the contracting officer and the contractor. Contracting Officers shall include Clause 252.243-7001 Pricing of Contract Modifications in all bilateral modifications. The effective date of the modification shall be filled in before the modification is presented to the contractor for signature. This entry, in Block 3 of the SF 30, will be the date agreed upon by the contractor and the contracting officer as the date on which the change will be effective. Block 13C of the SF 30 should also cite 10 U.S.C. 2304(g) as the authority for issuing the modification. The following are examples of different types of

supplemental agreements.

(1) New acquisition supplemental agreement

(a) Increase the quantity of supplies and/or services to be rendered under an existing order; or

(b) Enlarge the scope of an existing order.

Any increase in quantity or change in scope of work must be supported by a purchase request/requisition. Adding requirements to a PO by modification does not eliminate the rules for soliciting competition, small businesses, etc.

(2) Supplemental agreements which otherwise change the obligations of the parties

(a) Decrease the quantity of supplies to be delivered in exchange for a corresponding reduction in the contract price;

(b) Accelerate the delivery date in exchange for a higher contract price; or

(c) Change specifications or delivery requirements in exchange for an appropriate adjustment of the contract price. In a supplemental agreement that changes the obligation of the parties, the Government will receive a new benefit or something of additional value, known as consideration, in exchange for the Government's release of the contractor from existing obligations under the contract. If a price increase or decrease is involved, accounting data and the amount involved in the modification itself must be shown in Block 12 of the SF 30.

d. Numbering of Modifications to POs. Each modification shall reference the applicable PO number as well as contain a modification number. Modification numbers shall be assigned as prescribed by DFARS 204.7004 and shall consist of a six position alphanumeric number constructed as follows:

(1) The first position shall be a capital letter identifying the modification issuing office as,

(a) P - office which issued the PO being modified,
or

(b) A - office other than that which issued the PO being modified.

(2) The remaining positions shall be the modification serial number, constructed for each individual PO, commencing

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00001 through 99999, A0001 through A9999, etc.

e. Distribution of Modifications. The original and copies of the modification shall be distributed in the same manner as the original PO.

4. Modification of Delivery Orders. Modifications to delivery orders against FSS schedule contracts or indefinite delivery type POs may follow the procedures in paragraph 3 above with the following exceptions.

a. Numbering of Delivery Order Modifications

(1) Modifications to delivery orders against FSS contracts may use the same numbering system addressed in paragraph 3 above.

(2) Modifications to delivery orders against IDTCs or IDTPOs shall be numbered per DFARS 204.70 with a two digit number beginning with 01, 02, etc. This is used as a supplement to the four-digit order number (i.e., 0001/01, H901/01, etc.).

b. Reference. When the modification being issued requires a reference in Block 13 of the SF 30 and is being issued per terms and conditions of the contract, the applicable contract number or mutual agreement of the parties will be cited.

5. Withdrawal/Cancellation/Termination of POs

a. Withdrawal. A unilateral PO which has not been accepted in writing or performance has not yet been initiated by the contractor may be withdrawn at any time before the contractor furnishes the supplies/services or proceeds with the work to the point that substantial performance has occurred.

The contracting officer may withdraw the order by use of a unilateral modification, sent by certified mail, return receipt requested.

b. Methods of Cancellation/Termination

(1) Cancellation. After acceptance, the contractor shall be asked to agree to cancellation of the order without cost or liability to either party. If the contractor agrees, the cancellation shall be affected by the use of the SF 30, issued as a supplemental agreement per paragraph 4d, and signed by the contractor and the contracting officer. The modification should state that the PO is hereby canceled at no cost to either of the parties and shall include a reference to the conversation, if any, in which the contractor agreed to the cancellation. The SF 30 should be sent to the contractor by certified mail, return receipt requested.

(2) Contractor Does Not Accept Cancellation. If the contractor does not accept the cancellation or claims that costs were incurred as a result of beginning performance under the PO, the contracting officer shall process the termination action as prescribed by FAR Subpart 49. (However, this step may not be necessary if simple restocking costs, etc. are the only costs to be borne by the Government.) Before beginning such action, the case will be referred to the cognizant legal counsel of the activity. Action shall be withheld pending advice from the office to which the referral was made.

(3) Cancellation of Bilateral POs. If the contractor has accepted the PO in writing by signing the DD 1155, by signature on SF 30 or other acceptable means and other than simple restocking costs, etc. are anticipated, a termination shall be processed per FAR Part 49.

6. Maintenance of the Official File. A file documenting all actions taken should be maintained for each individual purchase action regardless of which simplified acquisition method is used. Files may be maintained in any medium (paper, electronic, microfilm, etc.) as long as the requirements of this paragraph are met. Paper file documents should be maintained in the same folder, if practicable. Each purchase file should include, at a minimum:

a. A copy of the purchase request/requisition document with evidence of available funds, adequate purchase description, all approvals and, if applicable, sole source justification from the customer;

b. Documentation that the acquisition has been synopsized when applicable;

c. A copy of the abstract/worksheet with a complete record of the solicitation including contractors contacted, responses received, evaluations, etc.;

d. Evidence of award, documentation supporting the basis on which the award was made and documentation supporting the price reasonableness determination;

e. Any other documentation supporting the action taken (e.g., certification from the comptroller as to the appropriate use of the fund cited for the material to be purchased);

f. Documentation supporting any administrative actions taken, including signed copies of all modifications; and

g. Copy of the invoice and, when practicable, evidence of receipt, inspection and acceptance.

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7. Close Out and Retention of Official Purchase Files

Contracting officers may use two alternative methods to close out contract files when they maintain administration of the contract file. One, the contracting officer may consider files for contracts closed when the contracting officer receives evidence of receipt of property and final payment.

The contracting officer may also consider the contract closed 180 days after the scheduled delivery date unless there is an indication that final delivery (physical completion) and final payment have not occurred by that date.

In addition, contract completion documentation should be minimized and limited to a statement in the purchase file(s) that the contracting officer considers the purchase file closed out per the procedures noted above. Whenever possible, the contracting officer should use a blanket statement covering a group, class and/or series of purchase files within a given time period that are being closed out. Contracting officers remain responsible to ensure that contractors are paid in a timely manner and the customer receives the goods and services purchased.

Although individual documents within the official file may not need to be retained for the full period, the complete purchase file may be destroyed 3 years after final payment has occurred.

CHAPTER 11

MANAGING CONTRACTING OFFICES USING SIMPLIFIED ACQUISITION PROCEDURES

Defining the Requirement, Performing Market Research, Screening Requirements (Preferred Government Sources), Soliciting Requirements, Evaluating Quotations, Awarding Simplified Acquisitions, Payments, Using the Purchase Card as a Method of Payment, Administration of Simplified Acquisitions and Managing Contracting Offices Using SAP.

We have now defined the requirement, performed market research, screened the requirement for its availability from the preferred Government sources of supply, solicited, evaluated quotations and awarded the requirement. Payment has been made and all contract administration has been accomplished. Now we are going to look at policies and procedures relating to managing contracting offices that use SAP.

1. Scope. This chapter will provide guidance and instruction on managing contracting offices utilizing SAP.
2. Policy. Contracting offices should establish internal operating procedures for managing contracting offices utilizing SAP. This should include developing internal policies and procedures for the management and over-sight of the procurement function including developing a POA&M for performing reviews of simplified acquisition policies, procedures, processes and functions.
3. General. To maximize the utility of simplified acquisition policies and procedures, HCAs delegating contracting authority to offices using SAP should perform regularly scheduled self-assessments or internal reviews.

a. Self-Assessments. Three types of reviews can be effective in accomplishing self-assessments at contracting offices using SAP. They are noted below.

(1) Compliance Reviews. Contracting offices should perform purchase file reviews to ensure purchase practices are in compliance with DOD/DON guidance. Attention should be given to currency of existing local policies, procedures and instructions, contracting officer warrants and compliance with contract reporting procedures. In addition, a random sample of purchase files should be reviewed to ensure that purchase actions are accomplished within current DOD and DON guidance.

(2) Efficiency Reviews. Contracting offices should perform reviews of SAP procurement files to determine if the most efficient procurement methods are being utilized. A review

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of POs of a repetitive requirement may indicate that a BPA would better serve the customer. A review of BPAs and BPA calls over a period of time may indicate that an opportunity for a long term IDIQ would better serve the customer. A review of requirements may reveal that establishing BPAs with FSS schedule holders would serve the customer. This review can be accomplished in conjunction with the compliance reviews noted above.

(3) Quality Reviews. Contracting officers should perform process reviews of contracting offices using simplified acquisitions. The review should identify and evaluate processes currently utilized in accomplishing SAP requirements. This should provide activity managers an opportunity to evaluate the need for process improvement in areas like screening for mandatory sources, requisitioning, evaluation of quotations, award requirements including contract administration and areas related to utilization of acquisition reform initiatives.

b. Reporting. As the Executive Agent for ASN(RD&A) for simplified acquisition policy, NAVSUP is often tasked by DOD/DON/others to provide information on the overall management of the program. Therefore, DON HCAs who exercise contracting authority utilizing SAP provide an annual report to NAVSUP (Code 02) identifying the type and kind of reviews that have been accomplished and date completed. We encourage DON HCAs to submit a summary report on an annual basis identifying lessons learned or best practices identified through accomplishing the required reviews.

4. Recommendations for Improvement. As the DON provider of rules and tools for simplified acquisition policies and procedures NAVSUP is looking for areas of improvement that can be leveraged by changes to this instruction. DON activities wishing to request changes or to initiate pilot problems within the cognizant of this instruction should process their request via their cognizance HCA to NAVSUP (Code 02). The request should identify the specific area of the instruction where the change is requested and the process improvement that will result from the change. In addition, NAVSUP (Code 02) is a member of the FAR Part 13 Subcommittee. Recommendations for changes to FAR or DFARS Subpart 13 and 213 should be forwarded via your cognizance HCA to NAVSUP (Code 02). The recommended changes must be adequately supported, identify the requested change, identify the problem and the recommended change to the FAR and DFARS language.

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LIST OF PROHIBITED
AND
SPECIAL ATTENTION ITEMS
FOR
SIMPLIFIED ACQUISITIONS

Enclosure (2)

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ADVANCE PAYMENTS

General Rule: Advance payments are generally not authorized.

Definition: An advance payment is made to the contractor before supplies or services are inspected/accepted by the Government. Progress payments, partial payments and fast payment orders are NOT considered to be advance payments.

Exceptions: Advance payments are the least preferred method of contract financing; however, they may be provided on any type contract with exceptions as described in FAR 32.403(a) and (b).

1. Post office box rentals, as authorized by DOD FMR Vol 5.
2. Rentals, as authorized by Section 606 of the Department of Defense Appropriation Act, 1960 or by 10 U.S.C. 2396 or by other legislation specifically authorizing advance payment of rent.
3. Tuition, as authorized by 10 U.S.C. 2396(a)(3).
4. Authorized insurance premiums, including insurance of official motor vehicles in foreign countries as authorized by Section 603 of the Department of Defense Appropriation Act, 1960.
5. Expenses of investigations in foreign countries, as authorized by Section 603 of the Department of Defense Appropriation Act, 1960 or by other legislation authorizing payments for such expenses.
6. Extension or connection of public utilities for Government buildings or installations, as authorized by Military Construction Authorization Acts.
7. Subscriptions to periodicals, as authorized by 31 U.S.C. 3324(d)(2), DOD FMR, Vol 10, Chap 4. The purchase card may be used as method of payment for agency authorized publications (i.e., Navy Times, Federal Contracts Reporter, Government Contracts Reporter/Commercial Clearing House Inc. etc.) provided the total cost of the subscription is a valid charge to the appropriation for the Fiscal Year and invoice must be received prior to the close of the subscription period. EBUSOPSPFFINST 4200.1 series requires certification by the senior official at the requesting command that a magazine/periodical is absolutely necessary for operations purposes.
8. Purchases of goods or services in foreign countries when the purchase price does not exceed \$10,000 or equivalent amount of applicable foreign currency and advance payment of the

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purchase price or of a part thereof is required by and made in compliance with the laws or regulations of the foreign country concerned, as authorized by 10 U.S.C. 2396(a) (1).

9. Enforcement of the customs or narcotics laws.

10. Other types of transactions permitted by agency procedures under statutory authority.

11. Advertising for military recruitment in high school and college publications not to exceed \$500.00 under any single contract.

12. Contract actions above the Simplified Acquisition Threshold (SAT) may authorize use of advance payments. Requests for advance payments must be submitted to the Director, Office of Financial Management Systems (NCF), Office of Navy Comptroller, via the Assistant Secretary of the Navy, Research, Development and Acquisition (OASN(RD&A) (ABM)).

References: FAR 32.4
DFARS 232.4
NMCAG G5232.402
10 U.S.C. 2307
10 U.S.C. 2396
10 U.S.C. 3324
DOD Appropriations Act, 1960
Sections 603 and 606
NAVSUP Policy letter - SA 99-17
DEPSECDEF Memorandum #6

ADVERTISING

GENERAL RULE: Advertising contract actions are not authorized unless specific approval has been granted per DFARS 205.502. For paid advertisements to recruit civilian personnel, see Section 332-1-9 of the Federal Personnel Manual. For civilian personnel advertising, the Secretary of the Navy has delegated the approval authority to officers in command and officers in charge of all Navy and Marine Corps field activities.

Authority to approve the publication of paid advertising in newspapers for all other purposes is delegated, without power of re-delegation, to the Chief of the Contracting Office.

Synopsizing in the Government-wide Point of Entry (GPE) as required by FAR 5.2 is not included in this general prohibition.

Military recruitment advertising in high school and college publications may be paid in advance but not in excess of \$500 per single contract.

The Secretary of the Navy has delegated authority for Navy recruiting advertising to the Commander, Navy Recruiting Command (NAVCRUITCOM) and Commander, Naval Reserve Force COMNAVRESFOR) with power of re-delegation as follows:

NAVCRUITCOM - The Chief of Naval Personnel (CNO) has authorized an increase from \$1,000 to \$2,500 for the specific media advertising purchase limit for commanding officers of Navy Recruiting Districts commensurate with the current micro-purchase threshold.

This authority cannot be re-delegated. COMNAVRESFOR - Naval Reserve Readiness Commander, Commanders, Naval Air Station, Naval Air Reserves or Naval Air Facility Commanding Officer \$5000 or less.

Echelon IV commanding officers \$2,500 or less.

Exceptions: None.

References: FAR 5.5, 5.502
DFARS 205.5, 205.502
NMCARS 5205
COMNAVCRUITCOMINST 1140.3 (Series)
(Navy Recruiting)
SECNAVINST 12330.2D (Series)
(Civilian Recruiting)
Section 332-1-9 of the Federal
Personnel Manual of 7 May 81
44 U.S.C. 3702
5 U.S.C. 302(b)
CHNAVPERS memo of 20 Jun 97
COMNAVSUPSYSCOM memo of 8 Sep 97
SECNAV memo of 5 Jan 84

AIRLIFT ASSETS

General Rule: Acquisition of commercial aircraft includes commercial aircraft acquired by lease, contract, charter or any other procurement technique for the purpose of providing Operational Support Airlift (OSA) transportation. DON airlift assets include all transport/utility type fixed and rotary wing aircraft (regardless of size) that provide air transportation for passengers and cargo. CNO prescribes overall airlift, aircraft policy for DON within guidelines established by DOD. DON airlift scheduling authorities/activities are listed in enclosure (1) to OPNAVINST 4631.2C. The two basic documents required to arrange airlift support are the "AIRLIFT REQUEST" and the "FLIGHT ADVISORY." Requirements for OSA shall be documented using the "Airlift Request" transmitted to the appropriate scheduling activity and Navy Air Logistics Office

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(NALO) .

Exceptions:

1. The scheduling authority has made a determination that the requested service is essential to the accomplishment of the mission or is the most cost-effective method of satisfying the movement requirement. In the case of acquisition by lease or contract (excluding charter flights), prior approval of CNO has been obtained and proper notification of intent to procure aircraft for such purpose has been given to the Assistant Secretary of Defense (Production and Logistics).

2. DON may issue contracts for commercial airlift services for technical and operational airlift, limited to support of research and development, engineering and purposes, using only approved DOD carriers. Regular point-to-point passenger and cargo service remains under the purview of the U.S. Transportation Command and its components (Air Mobility Command and Military Sealift Command.)

References: DODD 4500.43 (series)
OPNAVINST 4631.2C (series)
CNO ltr 4632 Ser N413T of 13 Aug 1992

APPLIANCES IN THE WORK PLACE - (Coffee pots, Microwaves, Refrigerators and Other Related Items)

General Rule: The acquisition of kitchen equipment purchased for supporting civilian and military employees in the workplace is generally allowable provided the following conditions are met:

1. Appropriations are available to pay for items such as refrigerators, coffee pots, and microwaves, when the primary benefit of their use accrues to the agency, notwithstanding a collateral benefit to the individual.

2. Agencies shall develop policy to ensure uniformity in the use of appropriations to acquire this equipment and determine the usefulness of appliances such as these in light of operational benefits such as employee health and productivity and the responsibility to provide a safe work environment.

3. Appropriations are not used to provide any equipment for the sole use of an individual and that agencies locate appliances acquired with appropriated funds only in common areas where they are available for use by all personnel. It should also be clear

that appropriated funds will not be used to furnish goods such as the coffee itself or microwaveable frozen foods to be used in the kitchen area.

References: U.S. General Accounting Office
Case B-302993 (25 Jun 04)

ASBESTOS AND ASBESTOS-CONTAINING MATERIALS

General Rule: Contracting officers and buyers are not authorized to purchase asbestos or asbestos-containing materials unless special requirements exist. When authorized to purchase asbestos and asbestos-containing material the following provisions/clauses shall be included.

1. Asbestos Certification for Written Solicitations.

Incorporates the clause at FAR 52.223-3, Hazardous Material Identification and Material Safety Data, in solicitations and contracts for contractor certification of asbestos or asbestos-containing materials required during performance of the contract.

2. Asbestos Marking Requirements. If a proposed contractor gives an affirmative certification to clause FAR 52.223-3, the contracting officer must include a requirement that the contractor shall mark shipments per paragraph 20.4.1 of MIL-STD-129K.

3. Contract File Retention. Purchase and contract files involving asbestos and asbestos-containing products be retained indefinitely by the contracting office unless otherwise directed by the Secretary of the Navy. This applies to all originals and nonidentical copies.

The recording of documents on microfilm or microfiche does not relieve an activity from the requirement to retain all original documents.

4. Submit OPNAV 5212/5(8-85), Insulation/Asbestos Records Freeze Annual Report by 31 January to Commander, Naval Sea Systems Command, Navy Asbestos Litigation Support Office, (NAVALSO/SEA 07L).

Exceptions: None

References: SECNAVINST 5212.10A (Series)

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BLACK OXIDE COATED BRASS THREADED FASTENERS

General Rule: Procurement of brass or copper alloy fasteners coated with black oxide, with characteristics as listed below is

not authorized due to the potential serious problem in the misapplication of these fasteners during maintenance actions on surface ship Level 1 systems.

Characteristics:

Hexagonal Nut

Size - 1/4" to 1 5/8" in diameter

Threads - UNC B - 8 to 22 threads per inch

Condemned NSNs

Replacement NSNs

5310-00-056-3394	5310-01-349-4086
5310-00-141-3034	5310-01-349-4084
5310-00-167-1371	5310-01-349-4084
5310-00-436-7218	5310-00-272-5705
5310-00-855-1102	5310-01-349-4084
5310-00-903-3991	5310-01-349-4090
5310-00-903-3994	5310-01-349-4086
5310-00-903-3995	5310-01-349-4085
5310-00-905-2669	5310-01-349-4089
5310-00-913-5473	5310-01-349-4088
5310-00-913-5474	5310-01-350-2904
5310-00-913-5475	5310-01-349-2905
5310-00-913-5476	5310-01-349-4087
5310-00-939-2653	5310-01-349-4084

For information regarding this prohibition contact the Naval Inventory Control Point (NAVICP), Code 0541, at 717-605-1361, DSN 430-1361.

Exceptions: None

Reference: COMNAVSUPSYSCOM Washington 0100272 Apr 92
COMNAVSUPSYSCOM Washington 211200Z Oct 94

BUSINESS CARDS, CALLING CARDS AND EMPLOYEE IDENTIFICATION TAGS

General Rule: Flag officers, SESs and general officers may authorize the printing of business cards, limited to using existing software and agency-purchased stock or cards procured from the Lighthouse for the Blind, Inc., if the cost of this source is equivalent or less than producing the cards on a

personal computer. Business cards obtained under this authority shall be used for those positions that require business cards in the performance of their official duties.

The two exceptions to the policy are:

1. The purchase of business cards for Navy recruiting commands. Business cards may be paid for by public expense (appropriated funds) only by those engaged in recruiting, i.e., for personnel initiating and maintaining direct contact with prospective recruits in the recruiting process. The content of the card is limited to the name of the recruiter, title or rank, recruiting office address, telephone and fax numbers, Internet address and official activity seal of the recruiting command. The title "recruiter" must be used in conjunction with the individual name to identify the card as recruiting material. White index paper stock not to exceed 110 lbs. in weight must be used in conjunction with black ink or Navy blue #3 ink or Marine green ink.

2. DOD/DON policy authorizes general, flag or SES to authorize the printing of business cards for those organizations or positions that require business cards in the performance of their official duties.

The printing of business cards by Government employees is authorized provided DON senior official approval has been obtained and existing software and agency purchased card stock is being utilized.

General Accounting Office (GAO) has determined that employee identification tags are not personal in nature. Therefore, activities may use appropriated funds to purchase these items (for use by military and/or civilian employees) when the requiring activity/command determines that use of employee identification tags is necessary for mission accomplishment and mandates their use. These items will remain the property of the Government. (See also "Uniform Items.")

Exceptions: None.

Reference: DOD Joint Ethics Regulation, Section 2-301b
ASN(FM&C) memo of 9 Mar 99
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CHRISTMAS DECORATIONS AND OTHER SEASONAL ITEMS

General Rule: Cardholders/buyers are authorized to use appropriated funds to obtain seasonal decorations for use in public areas.

Contracting officers must consider local customs and

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constitutional issues such as the freedom of speech and religion prior to making any such awards. Therefore, it is appropriate that decisions to use appropriated funds for these items be made by installation commanders within the context of local customs and practices. Additionally, installation commanders are responsible for the use of base resources and are therefore in the best position to ensure the exercise of prudence and discretion in authorizing the purchase and display of seasonal decorations.

The purchase of holiday and/or seasonal greeting cards are not a proper charge against appropriated funds.

Exceptions: There is no objection to the use of non-appropriated funds for these purposes.

References: B-226011, 67 CompGen 87, 17 Nov 87
B-226900, 67 CompGen 87, 17 Nov 87
B-226781, Unpublished, 11 Jan 88

COMMERCIAL VEHICLES, PURCHASE OF

General Rule: The Commander, Naval Facilities Engineering Command (NAVFAC) is assigned responsibility for administration and procurement of Civil Engineering Support Equipment (CESE). CESE consists of automotive vehicles (cars, trucks, buses), construction, refuse collection, railway and Special Category Transportation Equipment (SCTE). Material handling equipment is not included. Technical and management responsibilities for the transportation equipment program are handled by NAVFAC Transportation Equipment Management Centers (TEMC.)

Pacific Division (PACDIV) TEMC supports all field activities in the geographic area covered by West Division (WESTDIV), Southwest Division (SOUTHWESTDIV) and PACDIV Engineering Field Divisions (EFDs), Telephone (808) 471-8411.

Atlantic Division (LANTDIV) TEMC supports all field activities in the geographic area covered by NORTHDIV, Chesapeake Division (CHESDIV), SOUTHDIV and LANTDIV EFDs.

LANTDIV provides major claimant support to Commander, Fleet Forces Command (CFFC), Commander, U. S. Naval Forces Europe (COMUSNAVEUR), Naval Education and Training Command (NETC), Commander, Navy Reserve Force (COMNAVRESFOR) and the Washington DC based claimants.

LANTDIV coordinates procurement in Europe and PACDIV coordinates procurement in the Pacific Region.

Exceptions: None.

References: NAVFAC Publication 300, Management of Civil Engineering Support Equipment of Sep 2003.

COMMERCIAL OR GSA VEHICLES, RENTAL/LEASE OF (Without Drivers)

Definitions: Rental: Acquisition of GSA or commercial vehicles not exceeding 60 days.

Lease: Acquisition of GSA or commercial vehicles for periods exceeding 60 days.

General Rule: Rentals for 60 calendar days or less normally should be processed by the public works officer; however, if the activity does not have a public works officer attached or if the public works officer does not have contracting authority adequate to handle the requirement, NAVSUP contracting authority may be used for rentals of 60 calendar days or less. The exercise of NAVSUP contracting authority for short term (60 days or less) rentals of commercial vehicles is intended to provide the commanding officer of the activity with the flexibility to meet peak or unplanned vehicle needs and is authorized by DODR 4500.36-R series, Management, Acquisition and Use of Motor Vehicles.

Activities are to submit requests for all vehicles to be leased for more than 60 days to the cognizant NAVFAC TEMC for approval. The requesting activity must provide adequate written justification and an approved claimant allowance for the equipment code requested.

After all required approvals are obtained, the lease should be executed by a NAVFAC contracting activity such as the activity public works officer/officer in charge or a NAVFAC engineering field division.

Exceptions: None.

Reference: DOD REG. 4500.36R (Series)
NAVFAC Publication 300, Management of Civil Engineering Support Equipment of Sep 2003

Footnote: Rental of vehicles may not include payment of premiums for liability insurance since the Government is self-insured.

COMMERCIAL VEHICLES WITH DRIVERS FOR TRANSPORTING SUPPLIES OR PERSONNEL, (RENTALS)

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General Rule: Requirements for transporting supplies is a function of each activity's material transportation officer who may issue a Government Bill of Lading to effect movement of supplies. (See page 35 "transportation" of this enclosure). The passenger transportation office at your local personnel support activity will process personnel movement requirements by issuance of a Travel Request (TR) document to the appropriate carrier provided in the Joint Travel Regulation (JTR). For bus rentals refer to your local public works office.

Exceptions: None.

References: For Supplies
DTR, Part II, (Cargo Movement)
NAVSUP Volume 5
NAVSUPINST 4600 Series, Transportation of Property
For Personnel
DTR- DOD 4500.9-R, Part I Chapter 104
OPNAVINST 4650.15 Chapter 4
JTR, Para 4100 and Appendix J

CONSTRUCTION AND OTHER NAVFAC SERVICES/SUPPLIES

General Rule: Only contracting officers of NAVFAC are authorized to buy construction. NAVSUP contracting officers should generally refer construction requirements to a construction activity. However, this general rule does not apply to normal "installation" of equipment purchased under NAVSUP contracting authority.

Construction means erection, installation or assembly of a new facility, the addition, expansion, extension, alteration, conversion or replacement of an existing facility; the acquisition or relocation of a facility and includes the repair and maintenance of building and public works and equipment installed and made a part of such facilities. It includes dredging, excavating and painting of buildings, structures or other real property. For purposes of this definition, the terms "buildings, structures or other real property" include but are not limited to improvements of all types such as bridges, dams, plants, highways, parkways, streets, subways, tunnels, sewers, mains, power lines, cemeteries, pumping stations, railways, airport facilities, terminals, docks, piers, wharves, ways, lighthouses, buoys, jetties, breakwaters, levees, canals and channels.

Construction does not include the manufacture, production, furnishing, construction, alteration, repair, processing or assembling of vessels, aircraft or other kinds or personal property.

Construction activity means an activity at any organizational level of the military departments which has responsibility for the architectural, engineering and other. The general rule is as follows: if the related technical aspects of the planning, design and construction of facilities and which receives its technical guidance from the Army Office of the Chief of Engineers, NAVFAC or Air Force Directorate of Civil Engineering.

Station public works officers should process construction requirements either by using their own contracting officer authority or by referral to the cognizant NAVFAC office.

Note that guard services, lawn-mowing services, grounds maintenance services, landscaping services, lease of offices and other real property, custodial/janitorial services, fire protection services, forestry services (timber contracts, tree cutting and harvesting, tree marking, clearing and pruning services, cutting fire lanes, etc.) are within the purview of NAVFAC.

Also within NAVFAC's responsibility are supply contracts for the purchase of specialized functions (including four-wheel drive vehicles for foresters; fire trucks; earth-moving and other construction vehicles and equipment, etc.). Also included is lease of real property.

For repair services involving heating and cooling equipment made on-site, the requirement is a NAVFAC contracting responsibility. If the repair is made in the contractor's shop, the repair is a NAVSUP contracting responsibility. However, since portable and window type units are considered personal property items, repair of these items is a NAVSUP contracting responsibility.

Exceptions: DON activities with a delegation of purchase card authority from their HCA also have authority to purchase facility services up to \$2,500 and facility improvements (construction) up to \$2,000 using their HCA authorized purchase card. Activities within the NAVFAC claimancy with a delegation of purchase card authority from NAVFAC for facility services up to \$2,500 and facility improvements (construction) up to \$2,000 also have purchase card authority to purchase NAVSUP cognizance supplies and services up to \$2,500 using their NAVFAC authorized purchase card.

This action further streamlines the Navy's Purchase Card Program by eliminating the need for two purchase cards because of procurement authority.

NAVSUP contracting officers at Naval Reserve activities are authorized to contract for construction repair not to exceed \$2,000 and facilities related services not to exceed \$2,500 on Naval Reserve Center facilities.

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1. Examples of such construction repairs include:
 - a. Repair to central heating and air conditioning system,
 - b. Plumbing services,
 - c. Repair of broken windows or panes,
 - d. Repair of doors,
 - e. Roof repairs of a minor nature,
 - f. Minor structural repairs including touch-up painting,
 - g. Repair of alarm systems,
 - h. Locksmith services,
 - i. Repair of fences,
 - j. Repairs to correct electrical distribution/breaker systems, and
 - k. Repairs arising from storm damage or other natural disasters.
2. Examples of facilities related services include:
 - a. Guard services,
 - b. Lawn-mowing services,
 - c. Grounds maintenance services,
 - d. Landscaping services,
 - e. Pest control,
 - f. Snow removal, and
 - g. Trash/garbage removal.

3. Technical support will be provided by reserve public works personnel having cognizance of the facility. No special contractual provisions are required in procurements of repairs not exceeding \$2,000 and services not exceeding \$2,500.

References: FAR 36
DFARS 236
NMCAG G5236
NAVSUP Policy letter SA97-05

ENTERTAINMENT

General Rule: Appropriated funds are not authorized for entertainment (includes equipment used to convey entertainment i.e., radios, CD player, tape player etc.) unless specifically authorized by statute.

Exceptions:

1. Except for specifically programmed music (incentive-type music provided on a continuous basis at the work site to increase employee productivity). The commanding officer of the requiring activity must make a written determination that, based on factors such as the improvement of employee morale, increased employee productivity and result savings to the Government, the proposed expenditure for incentive music constitutes a necessary expense in accomplishing the mission of the activity. In addition, when such expenditures are justifiable as a welfare and recreation expense in general messes, appropriated funds are properly chargeable.

The prohibition also does not preclude the expenditure of appropriated funds for the purchase of a public address system required for intra-station communication. The procurement of incentive music services or equipment within commissary stores is a proper operating expense, chargeable to funds generated by the markup on resale merchandise.

2. Entertainment in support of agency sponsored EEO program (i.e., Black History Program) per guidelines developed by the Office of Personnel Management.

References: 51 CompGen 797, 6 Jun 72
CompGen file B-200017 10 March 1981

General Rule: Activities submitting purchase requests involving exchange of personal property shall comply with the requirements of DFARS 217.7003. The requester's purchase request must be accompanied by a certification that the property is eligible for exchange and complies with all conditions and limitations specified in DODI 4140.1-R, including a written administrative determination of economic advantage which shall indicate:

1. The anticipated economic advantage to the Government resulting from the use of the exchange authority,
2. That exchange allowances shall be applied toward or in partial payment for the items to be acquired,
3. That if required, the exchange property has been rendered safe or innocuous or has been demilitarized.

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It is DOD's policy to use exchange processing for replacing eligible non-excess items. It shall be used to the maximum extent possible when such transactions foster the economical and efficient accomplishment of an approved program. It should be noted that sale of non-excess personal property is not authorized pursuant to DFARS 217.7003.

EXCHANGE OF PERSONAL PROPERTY

The objective in exchanging non-excess personal property shall be to acquire new property from an offeror whose offer will be most advantageous to the Government, price and other factors.

Exchange/sale of IT (transferring of equipment to be replaced to another agency, with reimbursement, or to the trade-in allowance on the contract price so that the proceeds can be applied whole or in part payment for the replacement IT) procedures are in DFARS 239.7002.

Definitions: "Exchange (trade-in) property" means property not in excess of the needs of the owning DOD component, but eligible for replacement because of obsolescence, unserviceability or other valid reason that is exchanged and applied as whole or partial payment allowance toward the acquisition of similar items.

"Similar items" in exchange transactions means both the item being acquired and the item being replaced. Both must fall within one of the single generic categories listed in DOD 4140.1-R and the item being acquired must be designed and constructed for the same specific purpose as the item being replaced.

Exception: Categories of property not listed in DOD 4140.1-R, enclosure (1) are also eligible for exchange if designed and contracted for the same specific purpose.

Additionally, GSA's approval must accompany any purchase request for items listed in DODI 4140.1-R, enclosure (2).

References: DFARS 217.7003 and 239.7002
DOD 4140.1-R (Series) DOD Material Management
Regulation FPMR
DOD Manual 7950.1-M

FIREWORKS DISPLAY

General Rule: Appropriated funds may not be used to buy fireworks displays on the grounds that fireworks constitute entertainment and therefore are not necessary expenses chargeable to appropriated funds.

Exceptions: None.

Reference: CompGen B-205292, Unpublished, 2 Jun 82,

GUARD SERVICES

General Rule: All requirements for contractor guard services, with the exception of those required to be obtained through the GSA, shall be obtained through NAVFAC unless specific authority is otherwise granted.

HAZARDOUS MATERIAL AND HAZARDOUS WASTE DISPOSAL CONTRACTING

General Rule: Procurement of hazardous material is not generally authorized unless approval has first been obtained from a designated Navy Hazardous Material Control and Management Committee Program Office. If a Navy activity does not have such an office, the commanding officer is authorized to approve procurement of hazardous material for the Navy afloat and ashore community.

OPNAVINST 5100.19C (Afloat) on the Ships Hazardous Material List (SHML), Coordinated Shipboard/Shore-based Allowance List (COSAL), Standard Planned Maintenance System (PMS) Material Identification Guide, (SPMIG), the Navy Ships Technical Manual (NSTM) or other Navy directives or official publications, shall not be ordered unless specifically authorized by the commanding officer. The required certification must accompany the requisition to the procurement activity. The authorization may not be delegated below the commanding officer.

Requisitioner Duties And Responsibilities. OPNAVINST 5100.23C (Ashore) provides that the requisitioner is responsible for advising the contracting officer that the contract will involve deliverables containing hazardous material. Most Navy activities should have "Activities Authorized Hazardous Material Use Lists" (AUL) per OPNAVINST 4110.2.

Requisitions for nonstandard hazardous material shall be accompanied by a completed NAVSUP Form 87 to facilitate stock number assignment. Procurement activities shall forward NAVSUP Form 87 to Naval Inventory Control Point (Code 0562), 5450 Carlisle Pike, P.O. Box 2050, Mechanicsburg, PA 17055 or Naval Inventory Control Point, 700 Robbins Avenue, Philadelphia, PA 19111 per NAVSUP Pub 485.

Identification of hazardous material is a function of the technical screening process. FED-STD-313C provides identification of hazardous items by FSC and requires an Material Safety Data Sheet (MSDS) be submitted for all items listed in Table I (FSC 6810, 6830, 7930, 8010, 8040, 9110, etc.) and for items listed in Table II if the items have one or more

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of the characteristics of hazardous material (e.g., asbestos, mercury, polychlorinated biphenyls, flash point below 200 degrees F, produces fumes, vapors, mists or smokes during normal operation, flammable solid, radioactive, formaldehyde, classified as hazardous, etc.). Technical screeners shall clearly indicate on the requisition that the item being ordered is hazardous (e.g., affix hazard warning label, hazardous stamp, etc.).

Contracting Officer Duties and Responsibilities. When acquiring hazardous materials, the contracting officer shall include the clause at FAR 52.223-3, "Hazardous Material Identification and Material Safety Data" (Jan 1997). This FAR clause requires the offeror to certify that the material is/is not hazardous. The apparent successful offeror further agrees to submit, prior to award, a MSDS meeting the requirements of 29 CFR 1910.1200(g) and the latest version of FED-STD 313 for all hazardous material identified in the clause. Failure to submit the MSDS prior to award may result in the offeror being considered nonresponsive and ineligible for award.

The contracting officer shall also include the clause at DFARS 252.223-7001, "Hazard Warning Labels," which requires the offeror to submit compliant hazard warning labels for hazardous material not covered by specific statutes. These statutes include:

- a. Federal Insecticide, Fungicide, and Rodenticide Act,
- b. Federal Food, Drug, and Cosmetics Act,
- c. Consumer Product Safety Act,
- d. Federal Hazardous Substances Act, and
- e. Federal Alcohol Administration Act.

The offeror shall submit the label prior to award with the MSDS.

DODI 6050.5 establishes that the contracting officer is responsible for forwarding the MSDS and a copy of the manufacturer's compliant hazard warning label to Naval Environmental Health Center (NEHC), the DOD Components' Hazardous Material Information Resource System (HMIRS) focal point. In addition, contracting activities shall reference FED-STD-313C (Mar 1988) or the edition in effect on date of issuance, in commodity specifications, contracts and purchase documents for hazardous materials to assure inclusion of adequate requirements and clear instructions to contractors for the preparation and submission of the MSDS. Contracting officers shall provide NEHC a copy of the MSDS with the following information:

- a. Contract Numbers,
- b. National Stock Number (NSN),
- c. Specification Number, and

d. Technical POC for the Procuring Activity.

Contracting officers shall retain a copy of the MSDS in the contract file with a notation the date forwarded to NEHC. The contracting officer shall include DFARS 252.223-7006, "Prohibition on Storage and Disposal of Toxic and Hazardous Materials" in all solicitations and contracts for the offsite treatment or disposal of hazardous waste from a facility under the jurisdiction of the Secretary of Defense entered into with an owner or operator of a hazardous waste treatment or disposal facility.

Offsite treatment or disposal of hazardous waste from a facility under the jurisdiction of the Secretary of Defense entered into with an owner or operator of a hazardous waste treatment or disposal facility. This clause requires that contractors and subcontractors performing hazardous waste treatment or disposal services for DOD reimburse and indemnify the Government for any damages caused by the contractor's or subcontractor's negligence or breach of contract.

Contractor Duties and Responsibilities. For each hazardous item procured, the contractor shall be required to complete an MSDS and provide it to the procuring activity as part of the contract. FED-STD-313C requires that in addition to any other MSDS requirements in the contract, contractors also shall submit one copy of each MSDS to:

Navy Environmental Health Center (NEHC)
Attn: HMIRS Code 341
2510 Walmer Avenue
Norfolk, Va. 23513-2617

Exceptions: See topics relating to Asbestos and Asbestos-Containing Materials and Ozone Depleting Substances (Class I), for specific guidance.

References: 29 CFR 1910.1200 (g)
FED-STD-313C
DODI 6050.5-G-1 (Series)
SECNAVINST 5212.10A (Series)
OPNAVINST 4110.2 (Series)
OPNAVINST 5100.19C (Series)
OPNAVINST 5100.23C (Series)
NAVSUP PUB 485
FAR 23.3
DFARS 223.3
DFARS 223.70

INDUSTRIAL PLANT EQUIPMENT

General Rule: Navy buying offices shall no longer accept

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procurement requests for FSG 34, Industrial Plant Equipment (IPE). All such requests, regardless of dollar amount, shall be forwarded to Defense General Supply Center (DGSC), Richmond, VA, for procurement action.

Exceptions: Waivers may be granted by DGSC on a case-by-case basis.

Reference: DFARS 245.3
FARS 208.7003-1 (DAC 91-9), DFARS Case 95-D-005
Final rule
NAVSUP Policy ltr 98-11, 98-33
SECDEF Memo 11 Dec 95

INFORMATION TECHNOLOGY

General Rule: Section 508 of the Rehabilitation Act requires that when federal departments or agencies develop, procure, maintain or use Electronic and Information Technology (EIT), they must ensure that the EIT allows federal employees with disabilities to have access to and use of information and data that is comparable to the access and use afforded to other federal employees who are not disabled.

Navy Marine Corps Intranet (NMCI) transition is underway and commands have begun transitioning their current networks to NMCI.

To ensure a smooth transition period and to avoid the potential for duplication of expenditures for IT capabilities that are available under the NMCI contract, it is essential that all Navy Marine Corps contracting activities monitor and control the award, modification and use of IT contracts. Therefore, you are directed to review all prospective IT procurements in excess of \$25,000 up to and including \$1,000,000 (over the life of the contract) including orders to be placed on existing contracts by activities under your cognizance. All such contracts approved for award shall be reported to the NMCI Procuring Contracting Officer (PCO) to be reviewed for possible inclusion in future NMCI contract modifications as appropriate.

Submit requirements statements for all such prospective procurements exceeding \$1,000,000 in value (over the life of the contract) to Deputy Assistant Secretary of the Navy (DASN) (Acquisition and Business Management (ABM) and DASN (C4I via NMCI PCO for technical requirement review. Requirements statements shall be forwarded as soon as possible in order to prevent schedule based default decisions.

Provide justification of the timeline for the needed capability and how the alternative contract will provide capability faster.

Provide an acquisition plan for transitioning the procured capability to NMCI as appropriate. Conduct such reviews prior to issuance of a solicitation if feasible but, in any event, prior to purchase, modification or award of a contract. The requirement for reviews shall remain in effect until activities have fully transitioned to NMCI.

Do not award any new requirements-type contracts for IT capability (hardware, software or services) that is available under the NMCI contract.

Excluded from these reviews are purchases/orders: Local voice services, Top Secret or compartmentalized information cryptologic related activities related to national security systems computer resources, both hardware and software, that are physically part of, dedicated to, and essential in real time to the mission performance of a weapons system or a shipboard system related to the IT for the 21st Century (IT-21) effort. (Note: Shore-based embarkable/deployable workstations, portable computers, laptop computers, etc. are not included in this exemption.)

Reviews should ensure prospective purchases/contracts are only for IT capabilities that are unavailable under the NMCI contract and the proposed action(s) meet one of the following criteria:

1. The HCA determines that specific hardware, software or IT services are essential to successful execution of a command or program initiative, and it is clearly needed before it can be delivered under the NMCI contract. The NMCI PCO must verify that the delivery schedule cannot be modified to accommodate this need; or
2. The proposed contract action(s) is/are for IT services for which the period of performance will expire before the requiring activity transitions to NMCI (or within a reasonable time thereafter, as agreed to by the NMCI Government management office and the requesting official).

In any case, all applicable IT procurements should be evaluated prior to release for competition or award to resulting contracts for IT services. Do not bind the Government for long periods without an appropriate exit strategy that will accommodate future NMCI implementation. Requiring and contracting officials should ensure that procurement of IT are limited, to the extent feasible, to current and future short-term need rather than longer term major growth requirements which may ultimately become available under the NMCI contract. Although the NMCI contract does not contain priced items related to support or improvement of legacy systems, the contract does include provisions allowing the NMCI contractor to perform such efforts.

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To utilize this feature of the contract requires the submission of a specific SOW to the contractor who in turn prepares a separately priced item for consideration by the contracting officer. With respect to such requirements, the NMCI contractor is NOT a MANDATORY or PREFERRED source and DON activities may obtain legacy support and improvement for other sources. In such cases, selection of a contractor should be determined considering the best value to the Government.

This process for procurement of legacy system support is provided as an example and should be applied as well to procurement of other services which are listed and not priced in the NMCI contract.

References: FAR Part 39
FAC 97-27
Section 508 Rehabilitation Act
ASN(RD&A) memo of 19 Oct 2000
ASN(RD&A) memo of 29 Dec 2000
ASN(RD&A) memo of 18 Oct 2002

INVESTMENT ITEMS

General Rule: Requisitions for investment items whose unit price exceeds \$250,000 should not cite Navy Working Capital Fund (NWCF).

Definitions: Noncentrally managed items having a unit value greater than \$250,000 are to be classified as investments

Exceptions: None.

References: DASN (FM&C) Memorandum for Distribution of
18 Mar 03
USD(C) memo of 11 Mar 03
Public Law 108-7, Consolidated Appropriations
Resolution, 2003
DON Financial Management Policy Manual

LIGHT REFRESHMENTS AT CONFERENCES

GENERAL RULE: Appropriated funds are NOT authorized to pay for light refreshments at conferences.

Note: Activities are reminded that, absent affirmative statutory authority, conference fees may not be collected and used to offset the cost of the conference or to reimburse or supplement the appropriation from which the conference is funded.

EXCEPTIONS: Use of appropriated funds to pay for food under

other authorities, such as those relating to training (5 USC 4109 for civilians and 10 USC 2013 for uniformed personnel.

REFERENCES: ASN (FM&C) memo of 18 Apr 03
CompGen Decision B-288266 of 27 Jan 03
OASN(FM&C) memo 7150 FMB-56 of 31 May 00.
JTFR U2550
JTR C4950
CompGen Decision B-223319 of 21 Jul 1986

LODGING AND MEALS

General Rule: The purchase of lodging and meals for individual employees on temporary duty is not authorized. Employees on temporary duty are responsible for arranging, obtaining and paying for their own lodging and meals. Each employee then submits a voucher detailing expenses and is reimbursed on the basis of the voucher, as provided in the JTR. This is the usual method of incurring and paying for travel expenses.

Exceptions:

1. When it is in the best interest of the Government, the contracting officer may enter into a contract with a commercial concern for rooms or meals, or both, for employees on temporary duty as there is no express prohibition in doing so other than the restriction on the rental of space in the District of Columbia. However, the statutory or regulatory limitations on per diem rates or actual expense rates are equally applicable to contracts or POs entered into by agencies for lodging or meals.

Naval Reserve activities are reservists during authorized drill periods. Constraints on reservist eligibility and maximum price per reservist meals are contained in the references below.

References: B-195133, 60 CompGen 181, 19 Jan 81
40 U.S.C. 34 (1976)
BUPERSINST 1001.39 (Series)

LUGGAGE

General Rule: The purchase of luggage for employees or service members for carrying personal belongings while on official travel orders is not authorized. The prohibition is based on the principle that the purchase of luggage is a personal expense. Not included in the prohibition are seabags issued to service members and briefcases, etc. furnished for the express purpose of carrying official documents associated with duties of the service member or employee. In addition, furnishing luggage as a travel expense is also prohibited.

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Exceptions: Where an employee is required by his official duties to perform extensive travel requiring luggage, a determination may be made that it would be unreasonable to require the employee to furnish luggage at his own expense. Thus, appropriated funds may be used to buy luggage for such employees performing excessive travel, but only on the conditions that:

- a. The luggage would become Government property,
- b. Be stored in Government facilities, and
- c. Not be used for any personal business.

What constitutes excessive travel is not precisely defined. However, in the Comptroller General's decision cited below, service members were on official travel 26 weeks each year. The Comptroller General emphasized that the purchase of luggage would be permitted only in highly unusual circumstances.

References: CompGen B-200154, Unpublished, 12 Feb 81

MEDICAL AND DENTAL CARE FROM CIVILIAN NON-FEDERAL SOURCES

General Rule: The purchase of medical or dental care for active duty or retired personnel and dependents is discussed under "Personal Services." Claims for reimbursement from individuals who have defrayed the expense of authorized care will be paid on SF 1164, Claim for Reimbursement of Expenditures on Official Business.

Exception: One noted exception is for Navy Recruiting Commands use of pre-induction physicals for recruits. U.S.C. 7901 provides that agencies have specific authority to include medical examinations, including pre-employment exams without charge to applicants in the health programs they are authorized to establish.

References: DOD 7000-14R, Volume 5

MEMBERSHIP DUES

General Rule: The purchase of club, association, organization, etc. memberships which solely benefit individual Government employees or officers and not their agency or activity is prohibited.

Exceptions: The use of appropriated funds for membership dues for an activity or agency is permissible if the membership contributes to the fulfillment of the mission of the activity or agency. The payment of membership dues for an individual is authorized only by specific appropriations, by express terms in a general appropriation or in connection with employee training

pursuant to 5 U.S.C. 4110.

References: 5 U.S.C. 5946
5 U.S.C. 4110
24 CompGen 814, 1945
31 CompGen 398, 1952
33 CompGen 126, 1953
57 CompGen 526
53 CompGen 429
DOD FMR Vol. 5

NAVY EXCHANGE PURCHASES

General Rule: The purpose of the military exchanges and other morale, welfare and recreation activities is to provide goods and services to enhance the quality of life of service members and their families.

Pursuant to 10 U.S.C., DOD exchanges and other Nonappropriated Fund Instrumentalities (NAFIs) are authorized to contract with federal agencies to provide goods and services beneficial to the efficient management and operation of the exchange or NAFI activity.

Policy: Contracting officers must continue to screen all requirements for their availability from the mandatory Government sources of supply identified in FAR 8.001. Supplies and services available from exchanges or NAFIs are not considered agency inventories for the purpose of this enclosure.

Contracting officers are reminded that the purchase card is the preferred method of accomplishing micro-purchases including those from exchanges or NAFIs. Micro-purchase requirements must be rotated among qualified suppliers. Purchases above the micro-purchase threshold must be competed to the maximum extent practical. Also, contracting with exchanges or NAFIs does not automatically establish price reasonableness. Contracting officers must independently determine exchange or NAFI prices fair and reasonable. When contracting with exchanges or NAFIs the provisions of OMB

Circular A-76 apply, NAFI's performance of a commercial activity is considered "in-house" or Inter-Service Support (ISSA) performance. For additional guidance on A-76 applicability, see NAVSUP Policy letter SA 98-20.

The present rules for contracting with exchanges and NAFIs OCONUS (including Hawaii and Puerto Rico) remain unchanged. The restrictions of 10 U.S.C. 2423 and 2424 still apply. The specific limits are as follows:

- a. The contract or PO cannot exceed \$50,000.

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b. Supplies provided shall be from stock of the exchange on hand as of the date of the contract or PO.

c. The contract may not provide for the procurement of services not regularly provided by the exchange.

References: 10 U.S.C. 2423 and 2424
10 U.S.C. 2482a
ASN(RD&A) Memo of 18 Nov 97
FAR 8.001
OMB Circular A-76
NAVSUP Policy ltr SA 98-20

OZONE DEPLETING SUBSTANCES (ODS), Class I

General Rule: All contracts, delivery orders and POs containing a requirement for, or a requirement that can only be met by the use of a Class I Ozone Depleting Substance (ODS) are subject to Section 326 of Public L.102. The law requires the approval of the Senior Acquisition Official (SAO) within the requiring activity (or the requiring activity chain of command) prior to award. The SAO approval is based upon a certification by an Appropriate Technical Representative (ATR) that the specification or standard has been reviewed and contains a Class I ODS for which there is no known substitute.

Class approvals for the use of various ODS for specific applications have been executed by the hardware systems commands. If a procurement package includes a requirement for an ODS covered by a class approval, the approval number should be referenced in the requisition. All activities should be aware that these class approvals have expiration dates.

The burden for review and certification is on the Government; therefore, contractor certifications may not be substituted. NMCAG clause G5252.211-9000 (NOTICE TO OFFERORS --USE OF OZONE DEPLETING SUBSTANCES); however, may be included in Requests for Procurement (RFPs), when appropriate, to encourage offerors to bring the existence of ODS to the Government's attention.

Activities are advised to discontinue using unauthorized ODS clauses, especially if the clauses create a burden for contractors. Contracting officers may assume (unless they have knowledge to the contrary) that no Class I ODS is required if neither an approval nor a determination is included in the procurement package.

Exceptions:

1. This prohibition does not apply to requisitions from the stock system.

2. If commercial items are being procured per contractor specifications, then the Government need only review the requirement for ODS if the Government adds technical requirements to the contractor specifications. This is because the Government would only control the specifications for the requirement if the Government added technical requirements to the commercial specifications. This exemption, however, does not apply to the procurement of known ODS substances. Compliance with ODS guidance is a special interest item of the Naval Audit Service.

References: NMCAG G5252 Use of Ozone Depleting Substances

PERSONAL SERVICES

General Rule: Contracting for personal services may circumvent congressionally imposed limitations on personnel ceilings or may violate the Veterans Preference Act and the Civilian Personnel Classification Act.

Some of the elements which may indicate a personal service contract relationship is being established are:

1. Contractor performance is required on a Government site;
2. Principal tools and equipment are furnished to the contractor by the Government;
3. Services are to be applied directly to an integral effort of the agency or any organizational subpart in furtherance of assigned function or mission;
4. Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel;
5. The need for the services can reasonably be expected to last beyond 1 year; and
6. The nature of the services or the manner in which the services are provided reasonably requires, directly or indirectly, Government direction or supervision of the contractor's employees.

Of the above six elements, the last, (supervision or direction of contractor's employees) is the most critical and far exceeds all others in importance. In short, a contract which in effect creates an employer-employee relationship is a contract for personal services and may not be entered into by a Navy contracting officer.

Exceptions:

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1. A personal services contract may be used to provide direct health care services approved by BUMED per BUMEDINST 4283.1 series. Health care contracting will be used to satisfy beneficiary needs in the following circumstances:

- a. When efforts to reprogram resources have been exhausted;
- b. When a need for health care resources or services is recognized and health care contracting is the optimum solution;
- c. When the cost for alternative care presently available exceeds the estimated cost of contracted care;
- d. When the contracted care does not conflict with the primary readiness mission; and
- e. When funding is available.

DFARS 237.104(b)(ii) provides the policy and procedures for the acquisition by contract, pursuant to 10 U.S.C. 1091, of the personal direct health care services from individuals or firms.

2. A personal services contract may be used when authorized by an appropriation or other statute per 5 U.S.C. 3109.

References: Lodge 1858 AFGE v. Webb 580 F.2d 496
(D.C. Cir. 1978); March 1978 (cert. denied U.S.
Supreme Court October 1978)
FAR 37.104
DFARS 237.104
5 U.S.C. Section 3109
BUMEDINST 4283.1 (Series)

PESTICIDES

General Rule: Purchases of pesticides (such as insecticides, rodenticides, herbicides, weed and feed products, fungicides, wood preservatives, repellents, etc.), pesticide application shall be in strict accordance with OPNAVINST 6250.4B/CMC (LFL), "Pest Management Programs." Purchases of pesticides and pest control services shall be approved in advance by the responsible NAVFAC. Purchases of pesticides and skin/clothing repellents or pest control services to control potential disease vectors (e.g., mosquitoes or ticks) or shipboard pests shall be approved in advance by the responsible BUMED medical entomologist.

Requests to responsible pest management professionals shall include a brief specification for integrated pest management services (not scheduled treatments). Quality assurance levels and in the case of termite control, a warranty shall be

provided. NAVFAC or BUMED pest management professionals will assist installations to ensure that service providers are properly licensed and that each applicator has commercial grade accreditation that meets state and Navy standards to apply restricted use pesticides without supervision.

Purchases for pesticide applications shall be reported monthly per OPNAVINST 6250.4B. The list of pre-approved pesticides for recurring requirements for safe, compliant procurement as well as storage, mixing, application, disposal and application reporting of pesticides is contained within this above mentioned instruction. Some Environmental Protection Agency (EPA) registered pesticides including water-treatment chemicals, paints containing Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) regulated pesticides and other biocides are excluded from the scope of OPNAVINST 6250.4B. The installation environmental coordinator shall approve procurement of these materials in advance.

Exceptions: None.

References: OPNAVINST 6250.4 (Series)
Also see "HAZARDOUS MATERIAL"

PLAQUES, ASHTRAYS, GREETING CARDS, PAPERWEIGHTS, AND OTHER
MEMENTOS AS GIVE-AWAY ITEMS

General Rule: The use of appropriated funds to buy give-away items such as plaques, cuff links, bracelets, ashtrays, greeting cards, paper-weights, cigarette lighters, novelty trash-cans, key-chains and similar mementos is prohibited. All such give-away items are viewed by GAO as personal gifts; the purchase of which does not constitute a necessary and proper use of appropriated funds. GAO has long held that appropriated funds may not be used to acquire items that are not specifically set forth in an appropriation act.

Exceptions: The only exception for purchasing give-away items is when there is a direct connection between such items and the purpose for which the appropriation was made and if the item is essential to the carrying out of such purposes.

Official Representation Funds. If a requiring activity has funds, the funds may be used to purchase mementos of a nominal cost used in connection with official ceremonies, dedications or functions. Such mementos may not exceed \$200 in cost. The mementos must be command mementos such as plaques and not

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personal items. Such mementos will not be presented to DOD personnel. In all cases when items are presented within the authority of SECNAVINST 7042.7J, a complete record must be maintained by the authorization or sub-authorization holder to include the name of the recipient and the reason for the presentation.

Awards Military Personnel. Appropriated funds may be used to purchase medals, trophies, badges and similar devices for award to members of the armed forces, military units or agencies for excellence in accomplishment or competition (excluding sports and welfare activities). The end of a tour of duty alone is not sufficient justification for presentation of a plaque unless superior professional performance is being recognized concurrently. Badges or buttons are authorized in recognition of military personnel for special services, good conduct and discharge under conditions other than dishonorable.

Awards to Civilian Personnel. Appropriated funds may be used to purchase plaques to be given to civilian employees as authorized awards for recognition of special contributions or in conjunction with employee recognition programs.

References: SECNAVINST 3590.4 (Series)
SECNAVINST 7042.7 (Series)
5 CFR Part 451
DOD 1348.19 (Series)
55 CompGen 346
U.S.GAO, Office of General Counsel, Principals of
Federal Appropriation Law, 2nd Ed, Jul 91 Vol 1,
Chap 4, Section 8

PLASTICS ABOARD SHIP

General Rule: The purchase of plastic, plastic products and packaging material containing plastic is discouraged for use aboard ship. The Marine Plastic Pollution Research and Control Act of 1987 (Public Law 100-220) implements Prevention of Pollution from Ships as modified by the Protocol of 1987 (MARPOL73/78). The act restricts overboard discharge of all solid waste near coasts and prohibits discharge of plastics worldwide. The act also requires the Navy to fully comply by 31 December 1998 for surface vessels. Fleet commanders have instructed all ships to segregate plastic waste from nonplastic waste and store the plastic waste onboard for disposal and/or recycling ashore. The act requires ships to store non-contaminated plastic waste for 20 days and to store food-contaminated plastic waste for the last 3 days at sea. "Violation is a felony."

To reduce the amount of plastic waste generated at sea, the

Office of the Chief of Naval Operations, issued the "Ships Guide for Shipboard Solid and Plastic Waste Management," June 1991. The guide provides available nonplastic alternatives for common plastic items and their NSN numbers. NAVSUP has established the PRIME Program Office to reduce plastic products intended for shipboard use and assist the Fleet in complying with the public law.

The Technical Screening Expert System (TSES) distributed by NAVSUP Code 04 contains the complete list from the Ships Guide. When a stock number containing plastic is requested, TSES provides the full description and stock number of the nonplastic alternatives. Technical departments are encouraged to offer these nonplastic alternatives to ships to reduce the amount of plastic waste generated at sea.

Exceptions: None

References: Public Law 100-220
OPNAVINST 5090.1 (Series)
NAVSUPINST 4030.54 (Series)
CINLANTFLTINST 5090 (Series)

POST OFFICE BOX RENTAL

General Rule: Advance payment of post office box rentals is authorized on an annual basis.

Policy: Charges for post office box rental are handled by the following procedure. A box rented before the beginning of the fiscal quarter must be rented for no less than a full quarter. The United States Postal Service (USPS) will not refund a portion of the rental if the box is surrendered before the end of the rental period. This policy applies to advance payments of box rent made on a quarterly or annual basis. The USPS bills on its Post Office Notice (PON) 32 form, the renting activity will forward the PON-32 to the local disbursing officer certified for payment and will furnish all the required accounting data including the appropriation current for the Fiscal Year to which the rental applies. The disbursing officer will then prepare NAVCOMPT Form 2277 and attach the PON-32. No payee certificate is required. Note that the rent is paid in advance annually for each Fiscal Year. Make the check payable to "Postmaster."

Exceptions: None.

References: DOD FMR Vol. 5
DOD Fin. Mgmt Reg., Volume 10, Section 040105
25 CompGen 834 (1946)
34 CompGen 191 (1954)

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PRINTING AND DUPLICATION

General Rule: Contracting activities are not authorized to purchase printing or duplication services unless specifically approved in writing by the cognizant office of the Defense Automated Printing Service (DAPS). All questions concerning definitions of printing, duplicating, etc., should be referred to DAPS.

DAPS facilities located in non-U.S. countries are authorized to contract (with delegated procurement authority from the cognizant purchasing activity) for printing which both originates in and delivers to non-U.S. locations. Printing procurement in the U.S. is strictly controlled and must be forwarded to the Government Printing Office (GPO). DAPS is the only authorized conduit to GPO for DON.

DAPS is the final Navy authority concerning the applicability of the above provisions.

Exceptions:

1. "Off the shelf" publications produced by commercial concerns and regularly carried as stock items or commercial use are not considered "printing" and are not governed by the above provisions.
2. Commercial manuals (such as manuals accompanying commercially available bulldozers) are also excluded from the above provisions.

References: FAR Subpart 8.8
JCP Congress of the U.S. #26, of 90
PL 102-392, Section 207, of 06 Oct 92
DODD 5330.3 (Series)
NAVSO P35 (rev May 79)

PURCHASE FROM GOVERNMENT EMPLOYEES OR BUSINESSES OWNED OR CONTROLLED BY GOVERNMENT EMPLOYEES

General Rule: Purchases from Government employees (military or civilian) or from business organizations substantially owned or controlled by Government employees is prohibited. For purposes of this prohibition, the question of whether a business organization is "substantially owned or controlled" by Government employees must be made on a case-by-case basis.

Where a business is owned or is part of an employee's household, the Government employee is obligated to make full disclosure and to disqualify himself or herself from all aspects of the procurement. Doubtful cases should be referred for advice to the cognizant counsel servicing the purchasing activity.

Exceptions: In the case of most compelling reasons, such as cases where the needs of the Government cannot reasonably be otherwise supplied, the contracting officer must refer the case to the HCA via the cognizant regional contracting activity. Only the HCA can approve the requested exception to the general prohibition. For activities exercising NAVSUP contracting authority, the HCA is Commander, Naval Supply Systems Command.

References: FAR 3.601
NMCARS 5203.602

REFRESHMENTS PROVIDED IN THE WORKPLACE (PURCHASE OF BEVERAGE AND/OR FOOD ITEMS)

General Rule: The purchase of refreshment items for Government employees is NOT authorized.

The GAO has held that serving coffee or other refreshments may be desirable but cannot be said to be a "necessary expense" as provided by various appropriation acts.

Definition: The term "refreshments" extends to all concession related items, beverages, snacks/finger foods, plastic ware (forks, knives, spoons, dishes) and paper products (napkins, paper plates, paper cups). Further examples of prohibited items include but are not limited to bottled or spring water, milk, coffee, tea, juices, sodas, pastries, donuts, pretzels, bagels, and other party or concession type items.

This general prohibition also extends to refreshments served at official ceremonies (e.g., retirement, change of command, commissioning, VIP receptions, etc.).

Exceptions:

1. Navy recruiters buying meals for recruiting applicants as an "out-of-pocket expense" under the guide-lines of COMNAVCRUITCOMINST 4400.1A series.

Official representation funds may be used for official entertainment but only under the guidelines of SECNAVINST 7042.7J.

3. Centers of Influence (COI) events that involve furnishing meals to civilians (not Government employees) by contract to a restaurant under the guidelines of COMNAVCRUITCOMINST 4400.1A series. COI are individuals within the civilian community who are in a position to influence the attitude of prospective recruits toward naval service.

References: B-163764, 47 CompGen 657, 17 May 68

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B-152331, 43 CompGen 305, 26 Sep 73
SECNAVINST 7042.7H (Series)
COMNAVCRUITCOMINST 4400.1A (Series) Chap. 5 and 6
NAVSEA Publication S6161-Q5-CAT-010
Naval Shipboard Food Service Equipment Catalog
NAVSUP Publication 486, Vol. I & II,
BUPERSINST 1710.13A (Series) of 8-8-96
Navy Club Food, Beverage and Entertainment
Operations

REPROGRAPHIC EQUIPMENT

General Rule: The purchase, lease, rental, trial, replacement or change in rental or lease plan of reprographic equipment is not authorized unless the requestor has complied with the requirements of the Navy Reprographic Equipment Program. The requestor must obtain written approval from the cognizant DAPS for all shore copying equipment with speeds of 71 or more copies per minute. The letter of approval must be annotated on the purchase request as well as on the contract document, PO or delivery order. The cognizant DAPS is the office normally servicing your activity. Your servicing DAPS can generally provide historical data and upon request, can provide copier cost data.

NAVSUPINST 5600.24, Shipboard Copier Program (SCP) provides information, guidance and procedures for shipboard reprographics. No written approval is required from DAPS under the SCP.

Reprographic equipment consists of copying equipment with speeds of 71 or more copies, analog copiers, Multifunctional Device (MFD) printers, all high speed laser printers and copiers. Requirements for copiers, parts and supplies/consumables (excluding paper) for all ships and crafts of the U.S. Navy, U.S. Fleet Marine Forces and selected ships of the Military Sealift Command are to be ordered from GSA contracts.

Exceptions: Not applicable to Marine Corps activities, except for requirements for high-speed copiers with speeds of 71 or more copies per minute and afloat unit requirements.

References: SECNAVINST 5600.22 (Series)
OPNAVINST 5600.21 (Series)
NAVPUBINST 5600.44 (Series)
NAVSUPINST 5600.24 (Series)

SENSITIVE COMPARTMENTED INFORMATION IN CONTRACTS

General Rule: Negotiations that will include requirements for contractor access to Sensitive Compartmented Information (SCI)

shall not begin unless the customer has coordinated the requirement with Commander, Office of Naval Intelligence (ONI), Code 522.

Exceptions: None.

Reference: SECNAVINST C4200.35

SHIPBOARD HABITABILITY EQUIPMENT, INCLUDING FURNITURE,
LAUNDRY/DRY CLEANING AND FOOD SERVICE EQUIPMENT

General Rule: Only furniture, laundry and dry cleaning and food service equipment in the following categories may be procured for installation in afloat units.

1. Furniture found in S9600-AD-GTP-010, U.S. Navy Shipboard Furniture Catalog with Change A;
2. Laundry and dry cleaning equipment found in S6152-B1-CAT-010, Navy Laundry and Dry Cleaning Catalog;
3. Food service equipment found in S6161-Q5-CAT-010, The Shipboard Food Service Equipment Catalog; and
4. Habitability equipment as discussed above, manufactured per Navy standard and hull type drawings, military, federal or authorized commercial specifications, and/or proven by certified test and evaluation or approved and controlled shipboard performance testing use.

Exceptions: None, unless review and approval has been obtained prior to procurement from the Life Cycle Equipment Manager (LEM) at the Ship Systems Engineering Station, Carderock Division, Naval Surface Warfare Center (NSWC SSES 9724), 9500 MacArthur Boulevard, West Bethesda, MD 20817-5700

References: NAVSURFWARCEN SHIPSYSENGSTA Philadelphia, PA, 251930A, Jun 93

TRAINING

General Rule: Training which is regularly scheduled, open to the general public and priced the same for everyone, should be authorized and obtained by the training officer on a Request, Authorization, Agreement, Certification of Training and Reimbursement (DD 1556). This action does not involve a contracting function.

The purchase card shall be used in conjunction with the DD 1556 as a method of payment for training up to \$25,000. When using the purchase card as a method of payment against the DD 1556,

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the training/financial officer shall ensure that block 27 of the form reflects the fact that payment will be made by the purchase card. For command specific training, the command has the flexibility to establish local procedures regarding the amount of cardholder information to be included on the DD 1556. Cardholder information is however covered under the Privacy Act and must be protected accordingly. Activities shall follow local procedures for obligating funds and all obligations shall be recorded in the activity's financial system prior to issuance of the DD 1556.

In the case of training that is developed for and attended by only Navy personnel (military and/or civilian), the authorized contracting officer may contract for the course on behalf of and as requested by the training officer. The purchase card can be used for open market training up to \$2,500.

References: NAVSUP Policy letter SA 99-17

TRANSPORTATION

General Rule: Ordering freight transportation services is a function of your activity material transportation officer who may issue a Government Bill of Lading (GBL) to effect movement of supplies. During Calendar Year (CY) 00, CONUS Navy Transportation Offices are being implemented on the PowerTrack system and they will no longer require a separate authorization (Commercial Forms and Procedures Account) to cut Commercial Bills of Lading (CBL). This is because all shipping documentation will be performed using CBLs vice GBLs. Navy Operational Logistics Support Center (NOLSC) coordinates all actions required to implement PowerTrack at Navy freight shipping activities, including the approval and establishment of all Navy PowerTrack accounts.

Logistics Shipments (defined as shipments of material not identified as administrative shipments). When approved by NOLSC and per the DTR, Part II, Cargo Movement, the use of CBLs vice GBLs is authorized. Under normal circumstances, the activity transportation officer will process these requirements.

If you have no transportation officer, the activity that performs transportation officer services for you will process these requirements. To use CBLs for Navy freight shipments, a commercial Forms and Procedures Account is required and must be obtained by contacting:

Navy Operational Logistical Support Center (NOLSC)
Transportation
Code 032C
1667 Piersey Street
Norfolk, VA 23511-2806

DSN 646-5469
COM 757-443-5469

For Prepay and Add Procedures, see Chapter 5, paragraph 2.e.(2)(b) of this instruction.

Administrative Shipments. Administrative shipments consist of items such as general correspondence, personnel records, payroll records, laboratory samples (except whole blood and urine samples which are paid by Service Wide Transportation (SWT), electronic storage media (computer tapes, floppy discs, compact discs, videos), blueprints, legal/financial/recruiting/contracting or similar documents and technical manuals not requisitioned directly from stock.

Shipment of administrative material shall be funded by the local activity requesting shipment and will be shipped by the USPS whenever possible. When use of USPS is not possible due to size/weight restrictions and a commercial carrier must be used, use the activity purchase card and cite command Operations and Maintenance, Navy (OM&N) funds.

Exceptions: None.

References: DTR, Part II, Cargo Movement, Chapter 206
NAVSUP Pub 1, Volume V, Transportation of
Property, Part K
DOD 4500.32-R Military Standard Transportation and
Movement Procedures (MILSTAMP),

UNIFORM ITEMS

General Rule: Uniform items that are part of the seabag are issued to Navy personnel upon enlistment and are to be replaced by the member with an annual cash allowance (Clothing Replacement Allowance). Therefore, seabag items will not be purchased with Operating Target (OPTAR) funds except as provided below. Organizational or personal protective clothing (aiguillettes, special safety shoes, disposable coveralls, etc.) is the property of the organization, remains with the organization and is paid for with OPTAR funds.

Exceptions:

1. Seabag items can be issued or replaced as work clothing and procured using OPTAR funds for mess management specialists (e.g., tee shirts, trousers, caps, aprons) and for personnel whose work is of a destructive nature to clothing (e.g., cleaning fuel oil tanks, entering boilers, decontamination work).

2. Shoulder Sleeve Unit Identification Marks. Initial

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provision is free to each attached member and paid with OPTAR funds.

3. Name tags are optional uniform items. Appropriated funds may be utilized to purchase employee identification tags when a command determination is made justifying that their use is reasonably necessary for mission accomplishment. As with organizational clothing, these items are the property of the organization and remain with the organization. See coverage on "Employee Identification Tags."

4. Identification badges available through the supply system (e.g., Chief Master at Arms) are to be purchased with OPTAR funds. Other identification badges (e.g., Presidential service, Joint Chiefs of Staff (JCS) or locally designed badges) are not to be purchased with OPTAR funds.

References: U.S. Navy Uniform Regulations (NAVPERS 15664 (Series))
31 U.S.C. 1301(a)
37 U.S.C. 415
B-237236, 69 CompGen 129, 11 Dec 89
NEXCOMINST 10120.10 (Series)

UTILITY SERVICES

General Rule: NAVFAC has cognizance over all matters pertaining to DON acquisition of public utility services including, but not limited to, electricity, gas, water, sewerage drainage, fire and police protection street lighting and cleaning and trash and garbage disposal. Contracts for the operation of Government-owned facilities by a DON contractor that call for reimbursement of the contractor's utility expense shall specifically provide for the submission of utility subcontracts to NAVFAC for comment or approval prior to execution of the contract.

VIDEO TELECONFERENCING (VTC) EQUIPMENT

General Rule: Activities may procure any brand of VTC equipment they chose. However, the chosen brand must utilize the commercial standard H.320 (Joint Services Standard) or H.323 (for I/P based VTC) to with other naval activities. CNO 61 is responsible for the Video Information Exchange System (VIXS) Tactical VTC systems and the VIXS network. Naval activities wishing to procure secure VTC systems that are to be operated over the VIXS network must obtain the appropriate approvals per OPNAVINST 2015,1 of 2 March 1992 and ALCOM R05110Z of June 1995 (DON Naval Video Teleconferencing). The VIXS program supports a VTC architecture that allows video conferencing between tactical (afloat and shore) users to conduct operational missions. All activities should use the following guidance when procuring VTC equipment. For activities requiring nonsecure VTC equipment,

CNO 61 approval is not required.

Activities requiring secure VTC equipment that will not interface into the VIXS network for operational purposes, CNO 61 approval is not required.

If requirements exist to interface into the VIXS hub to conduct multi-point conferencing, a request per ALCOM 29/95 shall be submitted for validation. Activities must have a valid justification to be approved. After CNO 61 approval is obtained, the system is procured and installed, VIXS certification must be obtained.

The DON POC for scheduling and conducting dialup VIXS certification testing is the VIXS spell out In Service Engineering Agent VTC Help Desk at Space and Naval Warfare Systems Command (SPAWAR) System Center, Charleston, SC, Code 732, at 843-218-4882.

Each activity is responsible for procuring additional or initial equipment outside of the VIXS Program of Record (POR). Furthermore, a Life Cycle Management (LCM) number or a memo from the sponsor stating the activity will be responsible for maintenance and operation of the system must be on the requirement. The VIXS program manager at COMSPAWARSYSCOM, resourced by CNO 61, supports the installation of one VIXS system at designated afloat locations and limited shore locations as well as the LCM for VIXS POR systems.

References: OPNAVINST 2015.1 of 2 Mar 92
ALCOM R051410Z of Jun 95

VISUAL INFORMATION (VI) EQUIPMENT

General Rule: Per OPNAVINST 5290.1A, VI production equipment may not be provided to, acquired for or used by, non-VI activities or personnel (See definitions).

Requests for VI equipment that exceed the dollar thresholds listed below must be forwarded through the chain of command to the appropriate Major Claimant VI Management Office (MCVIMO) for approval. The MCVIMO must certify that acquisitions follow activity authorizations prescribed by OPNAVINST 3104.1 and requests for VI equipment that support VI functions that are not authorized for the activity cannot be approved at MCVIMO or local levels and must be held pending CNO 09C1 approval of the new function.

1. Non-VI activities or personnel may acquire, unless otherwise specified by local VI instructions or when restricted by local credit card dollar call limitations, non-professional consumer type VI equipment such as 35mm film based photographic camera

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systems costing less than \$1,000, overhead/slide/filmstrip/motion picture projection equipment; audio/video recorder/players; video cameras and Camera-Recorder (CAMCORDER) systems; and digital photographic cameras costing less than \$5,000; digital photographic printers; and video Liquid Crystal Display (LCD), Light Emitting Device (LED) and Computer Remote Terminal (CRT) projectors costing less than \$10,000.

For VI equipment policy and MCVIMO information, contact CNO 09C1 VI Equipment and Activities Policy Officer at 202-433-3790; DSN 288-3790.

Exceptions:

1. VI Equipment

- a. Acquired and distributed by the Navy Exchange;
- b. Embedded in non-VI systems which cannot be separated or operated to perform a VI function outside the system or;
- c. Purchased with non-appropriated or morale, welfare, or recreational funds including entertainment systems or;
- d. Used solely to support Research, Development, Test and Evaluation (RDT&E) programmed mission requirements or;
- e. Procured by the Naval Media Center in support of Armed Forces Radio and Television activities and "Navy News This Week" or;
- f. Used by administrative offices only for Identification (ID) purposes or;
- g. Dedicated to Pilot Landing Training (PLAT) System, secure flight crew briefing systems and meteorological information systems or;
- h. Acquired under the Ship Building and Conversion, Navy (SCN) Program.

2. Timing and synchronization apparatus related to instrumentation recording.

3. Radiographic equipment (industrial, medical and dental (x-rays)).

4. Office-related support equipment including word-processing equipment; transcribing and intercom equipment; telephone answering devices; xerographic equipment; microfilm production and utilization of (viewing and printing) equipment.

5. Surveillance and monitoring systems used for security, safety inspection, testing and medical life supporting purposes.
6. Audio addressing or paging systems.
7. Historical VI equipment preserved by museums.
8. Photo-medical reproduction equipment (lithographic) and graphic arts equipment only for the production of illustrations, graphs or charts produced for the sole purpose of incorporating in a publication. Equipment which supports both printing and graphic arts is not excluded.

Definitions:

1. VI Equipment (OPNAVINST 5290.1A)

a. Production. Items used for the recording, producing, reproducing, processing, broadcasting, editing, distribution, exhibiting and storing of VI. Includes professional still, motion picture and video cameras; editing equipment, telephone equipment, audiotape and cassette duplicators; computer generated graphics systems; film and paper processing equipment, photographic printers.

b. Non-production. Items used to maintain, repair, store, retrieve, exhibit otherwise provide for the use of VI products. Includes videotape/disc players and television monitors; interactive video equipment; slide, filmstrip; motion picture, overhead, opaque and video projectors.

c. Professional VI Equipment (CNO N09C4). Professional VI equipment is equipment whose characteristics conform to technical and occupational standards related to professional VI personnel series as prescribed in OPNAVINST 5290.1A.

2. Centrally Procured (JOINT PUB 1-02). Procurement of material, supplies or services by an officially designated command or agency with funds specifically provided for such procurement for the benefit and use of the entire component; or in the case of single managers, for the military departments as a whole.

3. VI (OPNAVINST 5290.1A). Use of one or more of the various visual media with or without sound. VI includes still and motion picture, photography, video recording with/out sound, graphic arts, visual aids, models, displays, visual presentation services and support processes.

4. Visual Information Management Office (VIMO) (OPNAVINST 5290.1A. A staff office at CNO, major claimant, major command, (MCVIMO) or their management level which prescribes and requires

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compliance with policies and procedures and reviews operations.

Visual Information System (OPNAVINST 5290.1A). Equipment or a group of equipment (including Interactive Video (IVD) and/or visually based equipment) which performs a VI function, produces a VI product or VI service.

VISUAL INFORMATION/AUDIOVISUAL(AV) PRODUCTION INCLUDING IVD
ACQUISITION

IVD System (OPNAVINST 5290.1A). A visual medium for the integration of videodisc or compact disc with computer technologies to provide a high degree of interaction between the student and the instructional program. IVD uses a computer driven videodisc or compact disc player to randomly access selected sequences of frames to present visually based interactive courseware.

General Rule: Per OPNAVINST 5290.1A, contracting for the development of AV/VI including interactive multimedia AV/VI productions in the Navy is prohibited unless approved and assigned by the CNO 09C4 as described below.

The Office of Federal Procurement Policy Letter No. 79-4 prescribes a uniform Government-wide system for contracting for AV/VI production. The system is mandatory for use by all executive departments and agencies of the federal Government. Per SECNAVINST 5290.1B, CNO 09C4 is the DON approval authority and the Naval Media Center is the DON primary contracting activity authorized to procure AV/VI productions or AV/VI scripts and productions separately under the mandatory system. Requirements for the development of AV/VI including interactive multimedia AV/VI productions, must be submitted through the chain of command to MCVIMO and endorsed by that office prior to forwarding to CNO 09C4 for approval as part of the Navy Annual VI Production Program.

Requests must be preceded with a Defense Automated Visual Information System (DAVIS) Subject Search and accompanied by a completed DD 1995, a proposed distribution plan, certificate of availability of funds and approval prior to commencement of any production work or contract acquisition.

POC: Visual Information
Production Policy Officer, CNO 09C4
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DSN 288-3714

Exceptions: The following exceptions to this policy for Navy activities may be approved by CNO N09C4 on a case-by-case basis when:

1. In research and development of weapons systems and similar contracts, the AV production is a provision of the contract for status reporting or new equipment training (not excluded from DD 1995).
2. In material contracts, the AV production is not the principal purpose of the contract but related to and acquired as part of the material being purchased (not excluded from DD 1995).
3. In mixed-media contracts, the non-VI material (such as print) will cost more than 50 percent of the total contract cost (not excluded from DD 1995).
4. In curriculum development contracts (such as instructional systems development), the requirement will justify the award of the contract to a qualified curriculum development contractor rather than a producer, unless the cost of the production exceeds 50 percent of the total contract costs for an individual curriculum (not excluded from DD 1995).
5. In recruiting programs, AV productions are integral to an overall advertising agency contract.
6. In purchasing VI production services to augment in-house VI production capabilities, the cost of such services is less than 50 percent of total contract cost for an individual production.
7. AV productions made by an in-house VI production activity, which has been converted to Government Owned Contractor Operated (GOCO) contract following a commercial activities cost analysis.

VI/ACQUISITION OF COMMERCIAL OFF-THE-SHELF VI PRODUCTIONS

General Rule: Acquisition of commercial off-the-shelf VI productions are authorized as follows.

1. The procurement of commercial "off-the-shelf" VI productions which support installation or local activity requirements and do not exceed \$500 and/or 10 copies per title is authorized at the installation or activity level provided the request contains a certification that a DAVIS Subject Search has been conducted per OPNAVINST 5290.1A and no acceptable substitute is available from Navy, DOD or other Governmental source. DAVIS searches can be conducted on the World Wide Web at <http://DODimagery.sfnis.osd.mil> or by contacting the appropriate MCVIMO.
2. Requirements, which exceed the above thresholds, support claimancy or Navy-wide programs or involve purchase of rights for distribution, must be validated and approved at the appropriate MCVIMO.

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Definitions:

1. Audiovisual (AV) Productions (OPNAVINST 5290.1A). An AV production is distinguished from other VI productions by the combination of motion media with sound in a self-contained complete presentation developed according to a plan or script for conveying information to or communicating with an audience. Includes multimedia. (See VI Production for the definition of all other forms of production.)
2. Commercial VI Production (OPNAVINST 5290.1A). A completed VI production purchased off-the-shelf, i.e., from the stock of a vendor.
3. DAVIS (CNO 09C4). An on-line, unrestricted, full-text searchable, standard DOD-wide database containing content-descriptive, production, acquisition, inventory, distribution, currency status, archival control and other data on the VI productions in the DOD inventory. As of September 1997, the DAVIS database contained more than 26,000 records.
4. Interactive Multimedia Audiovisual AV/VI Production (CNO 09C4). An AV/VI production which integrates multiple VI mediums with computer-based technologies to allow high degree of interaction between an individual/audience and the production/program from all sources; i.e., in-house or contract production, off-the-shelf purchases or adoption from another federal agency.
5. VI (OPNAVINST 5290.1A). Use of one or more of the various visual media with or without sound. VI includes still and motion picture, photography, video recording with or without sound, graphic arts, visual aids, models, displays, visual presentation services and the support processes.
6. VI Management Office (OPNAVINST 5290.1A). A staff office at CNO, major claimant, major command or other management level, which prescribes policies and procedures and reviews operations.
7. VI Production (OPNAVINST 5290.1A). The process of combining or arranging any separate audio or visual product(s) in continuity in a self-contained, complete presentation developed following a plan or script for conveying information to or communicating with an audience. A VI product is also the end item of the production process. The special kind of VI production that combines motion media with sound is further defined as an AV production. Used collectively, VI production refers to the functions of procurement, production or adoption

8. VI Products (OPNAVINST 5290.1A). VI media elements such as motion picture, still media graphic arts including computer generated graphics), models and exhibits.

WATER COOLERS IN THE WORKPLACE - PURCHASE OF

General Rule: The GAO has held that in a variety of cases under the "necessary expense rule" appropriated funds should not be used to pay for subsistence or to provide "free food" to Government employees while at their duty stations. As such, bottled water is considered personal expense and Government salaries are presumed adequate to enable Government employees to provide their own food and beverage.

Activities still wishing to supply water coolers for providing bottled or spring water to individuals within the workplace should establish a "water fund" to cover such rentals.

Exceptions: Appropriated funds may be used to supply safe drinking water if the local water has been tested by medical/health professionals and classified as non-potable due to health concerns. (Proof of the classification must be maintained on file.)

References: U.S. GAO.

WITHDRAWAL OF TAX-FREE AND SPECIALLY DENATURED ALCOHOL

General Rule: The award of contracts for the withdrawal of tax-free and specially denatured alcohol is not authorized unless a permit from the Bureau of Alcohol, Tobacco and Firearms (ATF) has been issued. To obtain a permit(s), the contracting activity must submit an application, ATF Form 5150.33, Spirits for Use of the United States. The form can be obtained from: ATF Distribution Center, P.O. Box 5950, Springfield, VA 22150-5950. Upon approval, the form will be returned to the contracting activity and shall serve as authority to procure spirits free of tax or specially denatured spirits.

One application may be used for both specially denatured spirits and tax-free spirits. The application should be mailed to the address located on the backside of the form to the attention of Chief, Regulations Division. The office of responsibility may be reached by calling, 202-927-8230 or via fax, 202-927-8602.

The original permit(s), ATF Form 5150.9, must be retained on file by the contracting activity. When placing the initial order with a vendor, the activity shall forward a photocopy of its permit along with the PO for tax-free spirits. Any subsequent purchases from the same vendor need only contain the permit number on the PO.

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Under the Bureau of ATF Regulatory Control procedures, on receipt of a shipment, the receiving officer shall inspect the shipment for any loss or deficiency.

In the case of loss or deficiency, the agency shall annotate on the receiving document then forward a duplicate to the ATF National Revenue Center in Cincinnati.

Exceptions: None.

References: 20 CFR 20.241-246, Subpart N
21 CFR 22.171-176, Subpart N

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AFLOAT

SIMPLIFIED ACQUISITION PROCEDURES

Enclosure (3)

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Introduction

The Afloat SAP has been written to supplement the procedures found in enclosures (1) and (2) of this instruction. The purpose of this part of the instruction is to highlight "Fleet Unique" issues regarding delegation, execution and administration of Fleet procurements. Supply officers, storekeepers and other contracting personnel executing Fleet procurements should be aware of this part as well as the other enclosures of this instruction.

NAVSUP publications, instructions, SAP and NAVSUP claimancy policy letters are available on the Navy Logistics Library (NLL) located at <http://www.nll.navsup.navy.mil/>. NAVSUP forms can be found at Navy Forms Online at <http://www.forms.daps.dla.mil>.

Standard Forms (SF) and Defense Department (DD) forms referenced in this instruction can be downloaded from the FedForms website: <http://www.fedforms.gov/>.

EBUSOPSOFFINST 4200.1 series and purchase card desk guides are available at the eBusiness Operations Office website: <http://www.don-ebusiness.navsup.navy.mil/>.

CHAPTER 1

SHIPBOARD PROCUREMENT AUTHORITY

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

The first step for the Fleet contracting officer, buyer and storekeeper in the procurement process is to understand how contracting authority is delegated to Fleet and deployed units and how that authority is exercised.

1. Scope. This chapter provides guidance on how the Fleet obtains contracting authority and delegates that authority to ships under their cognizance and the conditions under which the ships may use their delegated contracting authority.

2. Policy. NAVSUPINST 4200.81 series provides a minimum level of contracting authority to ships unless further amplified by the cognizant TYCOM. TYCOMs are responsible for granting, establishing limits on monitoring and providing oversight on the use of contracting authority granted to ships. TYCOMs are responsible for ensuring that the required reporting of contracting information is accomplished per this instruction. The Fleet and Industrial Support Center (FISC) PPMAP and Naval Regional Contracting Center (NRCC) PPMAP teams are available to support the TYCOMs in providing coordination, guidance and assistance in carrying out their oversight responsibilities.

3. Basic Contracting Authority

a. All ships are granted micro-purchase authority unless otherwise specified by the cognizant TYCOM.

b. All ships should use the GCPC to acquire supplies and services up to the micro-purchase threshold, issue orders under FISC/NRCC Firm Fixed Price (FFP) IDTCs up to the maximum ordering limitation of the contract and issue FFP orders up to \$100,000 (or the maximum ordering limitation, whichever is lower) under Navy-wide, DOD-wide or federal Government-wide ordering vehicles (e.g., GSA Schedules) to the fullest extent practicable. Ships should use the SAP up to the ship's open market contracting authority where necessary. Micro-purchases under the micro-purchase threshold using other than the GCPC shall be accomplished per Chapter 7B of enclosure (1) of this instruction.

c. Master Agreements for Repair and Alteration of Vessels (MARAVs). Unless restricted by the cognizant TYCOM and as permitted by the respective MARAV, ships overseas may place orders against MARAVs.

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d. Prime Vendor Contracts. Unless restricted by the cognizant TYCOM, ships may place FFP delivery orders up to \$100,000 under prime vendor contracts issued by the NAVICP, FISCs, NRCCs and DLA activities.

e. Standardization of Shipboard Reprographic Equipment (SSRE). Unless restricted by the TYCOM, ships overseas may place orders against FISC Norfolk Detachment Philadelphia contracts up to the maximum ordering limitation set forth in the contract.

4. Expanded Contracting Authority

a. TYCOMs may grant ships contracting authority up to \$25,000 (U.S.) or \$100,000 (Overseas). This authority is subject to the following limitations.

(1) The purchase of the required supplies and services is authorized under current DOD and DON guidance.

(2) The ship's authorized contracting personnel can process the order and arrange for delivery within the time required for the ship's operating schedule or within 30 days, whichever is earlier; and either

(a) The requirement is critical for scheduled operations and is an emergency requirement (i.e., Casualty Report (CASREP)) or the ship's performance is impaired and may progress to a state in which the ship cannot perform its operational mission; or

(b) The supplies or services are not available at the local supply support activity or supporting shore contracting organizations are not available or cannot process the requirement in time to meet the ship's operational needs; and

(c) All such purchases must be supported by the contracting officer's written determination setting forth the facts and circumstances justifying the exercise of such authority per the guidance provided in this enclosure. The original determination must be maintained in the purchase file.

b. TYCOMs may also grant contracting authority overseas in excess of \$100,000 subject to the following conditions.

(1) The requirement is for ship's fuel, subsistence or port services in overseas locations not having local contracting support or the requirement is under unusual and compelling urgency (i.e., for a genuine emergency such that the Government may be seriously injured, financially or otherwise, if the supplies or services are not delivered by a specific date) and

cannot be processed through a supporting contracting office.

(2) For additional guidance and restrictions regarding the local purchase of bunker fuel overseas and in CONUS refer to NAVPETOFFINST 4290.1A series, "Commercial Contracts for Bunker Fuel," and NAVPETOFFINST 4026.1, "Fuel Management Afloat Manual," paragraph 2-1.33.

(3) All purchases over \$100,000 (overseas) must be supported by a contracting officer's written determination.

(4) Emergent requirements over \$100,000 that are not awarded as delivery orders under IDTCs or GSA Schedules citing unusual and compelling urgency as a basis for awarding a contract action, shall include the following statement in the schedule of the contract; "This purchase is made pursuant to Title 10 U.S. Code 2304 (c)(2), all contract provisions and clauses required by law, the FAR, the Defense Acquisition Regulation Supplement, and the NAVSUP Clause Book are hereby incorporated by reference". Use SF 26 or SF 1449 for actions above the SAT. All contract actions accomplished using this authority must be supported by a Justification and Approval (J&A) as required by FAR Part 6. The J&A may be completed after the procurement is completed.

c. Navy Oiler Cargo Fuel and Ship's Bunker Fuel. In all cases except for bona fide emergencies, prior to initiating a local purchase, the fuel specifications must be submitted to NOLSC Petroleum for review. Under no circumstances will any shipboard aviation fuel be procured locally without first notifying NOLSC Petroleum.

If it is determined that local procurement of aviation fuel is the only viable alternative, the supplier's fuel specifications must be reviewed and approved by NOLSC Petroleum and the Naval Air Systems Command (NAVAIR) prior to granting local procurement authority. Unless further restricted by the TYCOM, contracting officers can only locally procure cargo fuel or bunker fuel as follows:

(1) Navy Oiler Cargo Fuel. Cargo fuel cannot be purchased on the commercial market by shipboard contracting officers unless approval has been granted by NOLSC in coordination with the Defense Energy Support Center (DESC). This approval is granted on a case-by-case basis.

(2) Ship's Bunker Fuel. When ship's bunker fuel cannot be obtained from U.S. Government owned stocks, Fuel Exchange Agreements, mutual support from allied navies or DESC bunker contracts, local purchase (CONUS and OCONUS) by contracting

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officers is authorized when all of the following conditions are met.

(a) All other contracting conditions and requirements of current regulations and directives are met;

(b) Fuel specifications must be submitted to NOLSC who will coordinate with the Naval Sea Systems Command (NAVSEA) to obtain a waiver for the use of commercial bunker fuel per Naval Ships' Technical Manual (NSTM) Chapter 541, Section 10. Additionally, prior to ordering fuel from a husbanding agent under a husbanding service contract, fuel specifications must be submitted to NOLSC/NAVSEA for review. Minimum specification requirements for the purchase of commercial bunker fuel are specified in NAVPETOFFINST 4290.1A.

(3) The purchase is for a one-time delivery or DESC contract support is available but the delivery order is less than the DESC contract minimum quantity or advance notice of delivery would be less than 24 hours, regardless of quantity.

(4) Further information and updates on DESC and DESC bunker fuel contracts is available from the DESC Internet site at <http://www.desc.dla.mil/main/deschome.htm>.

5. Contract Reporting Requirements. Purchase made by supply officers directly from a commercial source in the open market are reportable to NAVSUP annually.

a. Reportable Actions. Examples of actions that must be reported include orders placed during port visits (e.g., orders against husbanding contracts or emergency POs), orders placed directly by the ship's ordering officer against an existing contract or GSA Schedule (including related modifications that obligate or deobligate funds); and any other supply/service actions that result in the issuance of a DD 1155.

b. Actions that should not be reported are those where the requirement was sent to the servicing FISC for execution, purchases below the micro-purchase threshold (i.e., less than or equal to \$2,500) obtained through use of the Government purchase card, actions involving the use of nonappropriated funds, GBLs or transportation requests, purchases of fuel and supply orders placed through any source in the stock system.

c. Reporting Time Frame. TYCOMs are responsible for reporting the volume and dollar value of open market contract actions executed by afloat units during the Fiscal Year to NAVSUP 029 not later than 15 calendar days after the end of the Fiscal Year. Reports will be based on data submitted via Transmittal Letters (TL) to Fleet financial systems.

6. Supply Management Assessments (SMAs) Assistance. The TYCOMs are responsible for professional contracting guidance, technical advice, legal counsel and training programs (See enclosure 1, Chapter 1 of this instruction.) In addition, as deemed appropriate, the TYCOM may request assistance from the cognizant PPMAP office in performance of the regularly scheduled Supply Management Inspections (SMIs) of the purchase operation of each afloat unit exercising contracting authority. All procurement questions requiring advice from the Office of General Counsel shall be directed to the Navy Office of General Counsel at NAVSUP Headquarters. They can be reached at 717-605-6747.

CHAPTER 2

GENERAL POLICIES

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

The next step in the acquisition process for Fleet and deployed contracting personnel is the proper exercise of contracting authority delegated to them by the NAVSUP 4200.81 series, commanding officer or supply officer. All contracting personnel must understand their limits and the proper policies and procedures for the effective exercise of the contracting responsibility granted to them.

1. Scope. This chapter provides general guidance for the exercise of contracting authority by ship personnel.

2. Definitions

a. Blanket Purchase Agreement (BPA). An agreement similar to a charge account with a supplier to furnish supplies or services under pre-arranged terms and conditions. Generally, BPAs are established by shore Fleet support contracting activities that provide acquisition and logistics support to ships. BPAs generally authorize specified contracting offices and officers to place BPA calls against the agreement.

b. BPA Call. An oral or written call placed against an established BPA by an authorized caller.

c. Buyer. A generic term for a storekeeper, assistant supply officer or supply officer who is authorized to solicit quotations on behalf of and prepare required award documentation for the review and approval of the contracting officer.

d. Contracting Officer. The storekeeper, assistant supply officer or supply officer who is appointed/warranted by the commanding officer of the ship to contractually obligate the Government.

e. Contingency Operation. For this instruction any operation involving activities of U.S. Forces in Operations Other Than War (OOTW) or Major Regional Conflicts (MRCs).

f. Defense Federal Acquisition Regulation Supplement (DFARS). DFARS that provides acquisition policy for DOD.

g. Federal Acquisition Regulation (FAR). The FAR provides acquisition guidance for all Federal executive agencies.

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h. Government-wide Commercial Purchase Card (GCPC). The GCPC is a purchase card similar in nature to a commercial credit card that allows authorized Governmental personnel to procure and pay for supplies and services. Shipboard personnel shall use the card as a procurement method to acquire all micro-purchase requirements per the EBUSOPSOFFINST 4200.1 series. Shipboard personnel may use the purchase card as a method of payment for traditional contracting methods (BPA calls, POs and Defense Orders (DOs) where authorized.

i. Imprest Fund. A cash fund similar in nature to a petty cash fund established by an advance of funds to authorized DON personnel. The establishment of imprest funds for CONUS activities is not authorized (See enclosure 1, Chapter 7A of this instruction.) OCONUS and deployed units may establish imprest funds if authorized per guidance provided in enclosure (1) to this instruction.

j. Indefinite Delivery Type Contract (IDTC). An IDTC is a contract type that authorizes the use of delivery or task orders to acquire supplies or services identified in the contract schedule. Generally, Fleet contract support activities issue the contracts and authorize Fleet contracting/ordering officers to issue delivery orders against the contracts.

k. Micro-purchase. An acquisition of supplies or services that does not exceed the micro-purchase threshold. Micro-purchase threshold means \$2,500 except

(1) \$2,000 for construction subject to the Davis-Bacon Act; and

(2) \$15,000 for acquisitions of supplies or services that as determined by the head of the agency are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological or radiological attack, except for construction subject to the Davis-Bacon Act (Pub. L 108-136, Title XIV, Sec 1443).

The purchase card is the required method to procure and pay for all micro-purchases. Micro-purchase requirements not accomplished using the purchase card shall have a written determination by a flag, general officer or SES in the purchase file.

Overseas. For the purposes of this instruction, overseas means outside the coastal waters of any of the states of the U.S. and the District of Columbia, its territories and possessions as described under the definition of the U.S.

l. PO. A written offer issued on a DD 1155 or SF 1449 by the ship's contracting officer to buy supplies and services

under specific terms and conditions using SAP.

m. Simplified Acquisition Threshold (SAT). The SAT is \$100,000 except for acquisitions of supplies or services that as determined by the head of the agency are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological or radiological attack (Pub. L 108-136, Title XIV, Sec 1443), the term means--

(1) \$250,000 for contracts to be awarded and performed, or purchase to be made, inside the U.S.; and

(2) \$500,000 for any contract to be awarded and performed, or purchase to be made, outside the U.S.

n. Task Order. An order for services issued against an IDTC where the basic terms and conditions have been agreed to and the ordering office (i.e., the ship) must prepare a purchase description of the SOW to acquire the services found on the contract. These contracts are normally established by Fleet support contracting activities.

o. United States (U.S.). For using SAP, the land, ports, and coastal waters of any state of the U.S. and the District of Columbia. The term also includes (unless otherwise indicated in the text of this enclosure) the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, Northern Mariana Islands, Wake Island, Johnston Island and the outer continental shelf lands. It does not include any other territory under U.S. jurisdiction or any U.S. base or possession within the coastal waters of landmass of a foreign country.

3. Use of Regional Contracting Support Organizations. The Navy has a worldwide network of acquisition/logistics organization whose mission includes providing material, services and/or contracting support to Fleet and deployed units. Fleet and deployed units should obtain support from these organizations to meet emergent needs. Regional support activities include:

a. Pier-side Purchasing Offices. NAVSUP has established as part of the FISC and NRCC organizations, pier-side purchasing offices that are located near Fleet concentration areas. The mission of the pier-side offices is to provide waterfront procurement support normally limited to simplified acquisition requirements for ported ship units.

b. Regional Contracting Department/Organizations. NAVSUP has established a network of FISCs and NRCCs to provide Fleet and deployed units contracting and logistics support. Normally this support is for requirements above the micro-purchase threshold and ordering vehicles are not available and therefore

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a formal contracting action is required. Requisitions can be submitted to and processed by the FISC/NRCC or other acquisition/logistics support organizations specified in current operational orders and instructions issued under the direction of the Fleet or TYCOMs. Common points of entry are identified below and can also be found in NAVSUPINST 4200.81 series.

- (1) FISC Norfolk
- (2) FISC Norfolk Philadelphia Site
- (3) FISC Norfolk Washington Office
- (4) FISC Puget Sound
- (5) FISC San Diego
- (6) FISC Sigonella Detachment Naples
- (7) FISC Sigonella Detachment London
- (8) FISC Sigonella Detachment Bahrain
- (9) FISC Sigonella Detachment Dubai
- (7) NRCC Singapore
- (8) Ships Support Office Hong Kong
- (9) FISC Jacksonville
- (10) FISC Jacksonville Detachment Kings Bay
- (11) FISC Pearl Harbor
- (12) FISC Yokosuka
- (13) FISC Yokosuka Detachment Sasebo

4. Shipboard Procurement Authority and Responsibilities

a. TYCOM. TYCOMs are responsible for establishing limits on and monitoring use of the contracting authority granted to ships.

b. Commanding Officer. The commanding officer of the ship is granted contracting authority via the NAVSUPINST 4200.81 series and is ultimately responsible for all of the procurement accomplished by shipboard personnel. The commanding officer may only delegate his/her authority to the senior supply officer to execute the ship's contracting authority.

c. Supply Officer. The supply officer is normally the person to whom the commanding officer delegates the ship's contracting authority. The supply officer is responsible to the commanding officer for the proper performance and administration of all supply functions including the execution of the ship's procurement authority. If so delegated by the commanding officer, the supply officer may appoint qualified individuals as contracting officers within his/her contracting organization.

d. Contracting Officer Appointments. All contracting officer appointments must be in writing and signed by the commanding officer or supply officer where so delegated. Personnel limited to the use of the purchase card may be appointed in writing on a letter of delegation (See EBUSOPSOFFINST 4200.1 (Series).) As a minimum, the letter of delegation must state the single purchase limit (for open market and Government sources of supply), billing cycle purchase limit, transactions type and limits, if any, on use as a method of payment. Personnel who are granted contracting authority above the micro-purchase threshold for uses other than the purchase card must be appointed on a SF 1402. Prior to the granting of any contracting authority, the delegating authority must ensure that the individual to be appointed is current with standard of conduct training and has filed a SF 450 when required by the TYCOM. Copies of all written appointments must be provided to the TYCOM (Code 02) and the applicable PPMAP office. The appointment must include the name, title and rank of the contracting officer, any limitations on the purchasing authority (i.e., dollar thresholds and types of contracting methods), duties related to the procurement function and a brief description of the training received including dates, course titles, etc.

5. Training Requirements

a. Contracting Officers. Warranted contracting officers in the GS 1105 or GS 1102 series, limited to awarding contracts at or below the SAT, must be Level 1 certified per the Defense Acquisition Workforce Improvement Act (DAWIA).

Level 1 training requirements are described on the certification standard checklists that are published in the DAU catalog, available online at <http://www.dau.mil/catalog>.

b. Ordering Officer (OO). It is the primary responsibility of the appointing official or the contracting officer who issued the contract to ensure the OO has received appropriate training to fulfill their responsibilities. It is recommended that OOs take a contracting course that provides instruction on contracting skill sets (e.g., CON 101 Basics of Contracting, NAVSUP Simplified Acquisition Procedure Course, etc.). In addition, OOs must become fully knowledgeable with ordering

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procedures delineated in this instruction.

c. Purchase Card. Individuals limited to using the purchase card for micro-purchases, overseas purchases up to \$25,000 or as a method of payment, shall take purchase card training as provided in the EBUSOPSOFFINST 4200.1 (Series).

6. Technical Support. Contract management support is available from the FISC/NRCC PPMAP teams located in the following locations.

- a. FISC Norfolk - PPMAP Office.
- b. FISC Norfolk Detachment Charleston - PPMAP Office.
- d. FISC San Diego - PPAMP Office.
- e. NRCC Naples - PPMAP Office.
- f. NRCC Singapore - PPMAP Office.

Technical advice regarding the proper execution of contracting authority may be obtained from the respective TYCOM or PPMAP office identified above. Ships should obtain the necessary contractual and legal support from the closest FISC or NRCC to their homeport as listed in enclosure (2) of the NAVSUPINST 4200.81 series or as directed by the respective TYCOM.

7. Controls

a. Instructions. The supply officer should maintain at least the current edition of this instruction, EBUSOPSOFFINST 4200.1 series, NAVSUPINST 4200.81 and NAVSUP P-485 in the supply department for use when exercising any procurement authority.

b. Separations of Functions. There are three basic functions performed in the acquisition process. The supply officer shall ensure no one person performs more than two of these functions. These functions include:

- (1) The preparation and approval of the requisition,
 - (2) The solicitation and award of the purchase action,
- and
- (3) Receipt, inspection and acceptance of the material or service.

c. Supply Management Assessments (SMAs) Assistance. The TYCOMs are responsible for professional contracting guidance, technical advice, legal counsel and training programs (See enclosure 1, Chapter 1 of this instruction.) In addition, as

deemed appropriate, the TYCOM may request assistance from the cognizant PPMAP office in performance of the regularly scheduled SMIs of the purchase operation of each afloat unit exercising contracting authority.

All procurement questions requiring advice from the Office of General Counsel shall be directed to the Navy Office of General Counsel at NAVSUP Headquarters. They can be reached at 717-605-6747.

8. Unauthorized Commitments

a. General. Only duly appointed contracting officers may contractually obligate the Government. When Navy personnel who are not contracting officers obligate the Navy to make payment for purchases, an unauthorized commitment occurs. Navy personnel without contracting authority who commit unauthorized commitments (i.e., order supplies or services or change the terms and conditions of existing contracts) may be held personally liable for the cost of the transaction and are subject to disciplinary action.

b. Conditions for Ratification. The authorization to pay an unauthorized commitment is called ratification. To ratify an unauthorized commitment all of the following conditions must be met per FAR 1.602-3.

(1) Supplies or services have been provided to and accepted by the Government or the Government otherwise has obtained or will obtain a benefit resulting from performance of the unauthorized commitment,

(2) The ratifying official has the authority to enter into a contractual commitment,

(3) The resulting contract would otherwise have been proper if made by an appropriate contracting,

(4) The contracting officer reviewing the unauthorized commitment determines the price to be fair and reasonable,

(5) The contracting officer recommends payment and legal counsel concurs in the recommendation unless agency procedures expressly do not require such concurrence,

(6) Funds are available and were available at the time the unauthorized commitment was made; and

(7) The ratification is per any other limitations prescribed under agency procedures.

c. Roles in Ratification Process

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(1) Person Committing the Unauthorized Commitment. The individual who made the unauthorized commitment must provide a written statement to the commanding officer detailing the circumstances surrounding the unauthorized act.

(2) Commanding Officer. The commanding officer must determine if ratification is appropriate. If ratification is appropriate, the commanding officer must provide a signed recommendation to the nearest command providing contract support per the NAVSUPINST 4200.81 series. The commanding officer should take other action as appropriate to provide training or take disciplinary action where deemed appropriate.

d. Payment. The commanding officer or supply officer should not affect or make payment for an unauthorized commitment. Payment must be made by the authorized paying office after all ratification actions have been completed by the appropriate ratification official is accomplished per (2) above.

CHAPTER 3

REQUISITIONS

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

The third step in the acquisition process is the preparation and initiation of a purchase request. A valid purchase request kicks off the acquisition process by providing contracting personnel with a valid funding document, a purchase description and all of the necessary packing and delivery terms necessary to fill the customer requirements.

1. Scope. This chapter provides guidance on the preparation of purchase requests/requisitions that are used to initiate shipboard contracting/procurement actions.

2. Forms. Instructions on the use of authorized requisitioning forms can be found in NAVSUP P-485, Volume 1, Chapter 3. Regardless of the form used, ensure the pertinent information is used.

3. Screening Requisitions. The supply officer should set-up a system for screening requisitions to ensure that the mandatory Government sources of supply are reviewed for requirement availability and that appropriate data is provided to properly identify the supply or service. (See enclosure 1, Chapter 2 of this instruction). Each supply officer is responsible for ensuring adequate data is provided to support all supply, purchase and contract actions. If the data submitted is not adequate, the request should be returned to the originator for modification, amplification or cancellation. There are three aspects that the screening system must address.

a. Adequacy of the Requisition. The supply officer or storekeeper must verify that all applicable data has been completed on the appropriate requisition document prior to processing the requisition.

(1) Purchase Description. An adequate purchase description or SOW must be included (See Paragraph 4 below.)

(2) Quantity and Unit of Issue. The quantity and unit of issue of the item must be provided.

(3) Estimated Price. The estimated unit price must be included. The basis of the estimate should be provided and explained if necessary (i.e., previous prices paid, catalog price, etc.)

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(4) Point Of Contact (POC). The name, code and phone number of the technical POC should be included.

(5) Delivery Information. The Uniform Material Movement and Issue Priority System (UMMIPS) priority designator, RDD, delivery hours or other time constraints (if applicable) and delivery location must be included in the requisition. Consignment instructions should also be included if applicable.

(6) Unique Requirements. Any unique requirements (such as packing and marking, preservation, bar coding, etc.) should be specified.

(7) Justifications. A sole source justification for all actions over the micro-purchase threshold should be prepared if the requisitioner needs to restrict the item to a brand name, part number or specific manufacturer. A mission impact statement may be required to support the "written determination to use SAP" for actions overseas.

(8) Approval. The required approval or signature(s) as established by the shipboard requisition routing system must be included.

(9) Items Requiring Special Attention or Approvals. Requests for items that required special attention or approvals should be processed and approved per enclosure (2) of this instruction, NAVSUP P-485 and other TYCOM guidance where applicable.

b. Funding

(1) The ship should have a system in place that ensures that all purchase requisitions are reviewed and approved at a level within the chain of command commensurate with the priorities for the obligation of funds established by the TYCOM.

(2) Each requisition should contain a statement that the total price of the purchase shall not exceed the amount shown on the requisition unless the funds holder grants permission (e.g., supply officer, comptroller, division head, etc.).

c. Required Sources of Supply. Supply department personnel must compare the identified items to those available in the supply system prior to proceeding with the use of SAP. Shipboard material identification resources should be used extensively to ensure that screening for required sources has been accomplished. The efforts made by shipboard personnel in the technical editing process cannot be over emphasized. The screening should include but not limited to:

(1) Locally (shipboard) maintained material,

(2) NSN material stocked by logistics support activities,

(3) NSN material maintained by DOD or other stocking points, and

(4) Mandatory Government sources of supply including UNICOR, JWOD, GSA Schedules, etc. (See enclosure 1, Chapter 4 of this instruction.)

4. Purchase Descriptions. All requisitions prepared in support of shipboard requirements must contain an adequate purchase description. The purchase description must provide a commercial description, military or federal specification or a SOW or a performance SOW that defines the product or service that is being requested. Military or federal specifications are discouraged and should only be used where required by DON, the TYCOM, the commanding officer, HCA or item manager with cognizance over the item. The following factors should be considered when developing a purchase description or statement of work.

a. The description must include all essential features or salient characteristics of the required supply or service. The following details should be included in the purchase description when applicable.

(1) A plain language description for the item or service; (i.e., commercial grade paint (5 Gallons), copier paper, white, 1 carton (12 reams), etc.).

(2) Dimensions, size or capacity.

(3) Material type, grade, color or acceptable alternatives; (i.e., white sand/fine grade, granulated cleanser/industrial grade, etc.).

(4) Electrical data (i.e., AC/DC, 110/220).

(5) Operating Characteristics; (i.e., Revolutions Per Minute (RPM), Cycles Per Minute (CPM), Pounds Per Square Inch (PSI), etc.).

(6) Restrictive environmental conditions the item will work under (i.e., high or low temperatures, excessive humidity, exposure to ocean air, salt water or size limitations within ship's space).

(7) The item's intended use including location within assembly, equipment or ship's spaces.

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(8) Equipment with which the item will be used or must be compatible.

(9) Drawings, sketches and any other information that is considered necessary to ensure proper identification of what is required.

(10) If the item must be made to a MIL/FED Spec, the ordering data contained in paragraph 6.2 of the specification must be included in the description. In addition, if the specification is found on a Qualified Products List (QPL), the list should be provided since the contracting officer/buyer/storekeeper may only purchase from the vendors found on the QPL.

(11) If the requirement includes services, the requisition must include a SOW or performance SOW, a place and period of performance, key experience or skills required of the contractor and contractor personnel.

(12) In cases where the service will be performed at the contractor's location and ship's property will be placed in the possession of the contractor, the requisition must state the acquisition value of the equipment (i.e., the price or estimated price that the Government originally paid for the equipment if it is available) part or other material to be furnished to the contractor.

b. Descriptions should not be unduly restrictive. A specific manufacturer's make and model or a purchase on a sole source basis should not be requested unless:

(1) The specific product or service is essential to the ship's operation, and

(2) Similar products lack features that are necessary to meet the ship's minimum needs or other contractors are not otherwise qualified to perform the necessary services; and

(3) A statement is provided that justified the restrictive purchase description or the restrictions on the source selection process.

c. The minimum acceptable competitive purchase description is the use of brand name or equal descriptions. Brand name or equal is intended to be descriptive not restrictive. This type of description should be used to identify the characteristics and level of quality that will satisfy the Government's minimum needs. The brand name or equal description should include a complete common generic description of the item and should reference all known brand name items that satisfy requirements. The contractor may provide catalogs, product literature, part

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descriptions, etc. to substantiate his/her claim that their item is an equal. The end user should evaluate the information provided by the contractor and determine whether what is being offered is an acceptable equal.

d. Additional information on purchase requests and developing purchase descriptions can be found in enclosure (1), Chapter 2 of this instruction.

CHAPTER 4

SOLICITATION AND EVALUATION

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

The next step in the acquisition process is the solicitation and evaluation of quotations submitted in response to our written or oral quotations. Shipboard contracting personnel should review this section to best determine the appropriate method to issue solicitations to prospective contractors. In addition, shipboard-contracting personnel should be aware of the policies and procedures for evaluating contractor quotations to determine which contractor will be awarded the procurement.

1. Scope. This chapter provides guidance on the solicitation and evaluation policies and procedures to be followed by shipboard contracting personnel when awarding simplified acquisitions and contracts for supplies and services per the Chapter 1 of enclosure (3).

2. Policy

a. Shipboard contracting officers/buyers must follow the solicitation and evaluation procedures in enclosure (1), Chapters 5 and 6 of this instruction.

b. Requirements aggregating more than the simplified acquisition threshold or micro-purchase threshold shall not be split or broken down into several purchases that are less or equal to the simplified acquisition threshold or micro-purchase threshold merely to use the purchase card or other simplified acquisition procedure.

c. Generally, solicitations may be limited to qualified sources within the local trade area or the port the ship is located or will be arriving. If practicable, the ship should keep source lists of vendors in ports where they most often visit. For additional information on performing market research to identify capable sources of supply refer to enclosure (1), Chapter 3 of this instruction.

3. Methods of Soliciting Quotations

a. Oral Solicitations

(1) Quotations should be solicited orally to the maximum extent practicable. Soliciting a quotation over the phone is quicker, requires less paperwork and is administratively less expensive than a written solicitation.

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(2) When soliciting a quotation orally, the shipboard contracting officer, buyer or storekeeper should ask to speak to the Government sales representative.

(3) The contracting officer, buyer or storekeeper should clearly and completely describe the required supply or service, provide the manufacturer's name, model number and/or catalog number, unit of issue, item and extended price, RDD, transportation terms if applicable and any prompt payment or discount terms.

(4) If the sales representative cannot provide an immediate response, the contracting officer, buyer or storekeeper should provide a cut-off date or an anticipated award date after which no further quotations will be accepted or evaluated. Shipboard contracting personnel must give contractors a reasonable opportunity to respond to a quotation based on the dollar value and complexity of the requirement.

b. Written Solicitations

(1) Written solicitations are discouraged for shipboard use and should only be issued when obtaining oral quotations is not feasible.

(2) Written solicitations may be considered prudent or appropriate when:

(a) Numerous line items are included in a single procurement action,

(b) Detailed purchase descriptions or statements of work are involved (i.e., drawings, schematics or blueprints must be provided),

(c) The suppliers are outside the local trade area, and

(d) The contracting officer determines that a written solicitation is in the best interest of the Government.

(3) Written solicitations should be issued using the SF 18, Request for Quotations. Written quotations shall be numbered per DFARS 204.70 with the letter Q in the ninth position (e.g., NOO0140-00-Q-0001). The SF 18 must include the appropriate provisions and clauses required in the FAR, DFARS and NMCARS.

(4) Written solicitations may be sent to potential quoters via regular mail or facsimile transmissions where appropriate. Facsimile quotations may also be authorized for contractors to respond to solicitations.

4. Competition

a. Micro-purchases. Those actions at or below the micro-purchase threshold may be awarded without soliciting competitive quotations. The shipboard contracting officer/buyer/storekeeper may solicit one source and if the quoted price is fair and reasonable may award to that vendor. Although competition is not required, the contracting officer/buyer/storekeeper must rotate the business among qualified suppliers. Whenever practicable the contracting officer/buyer/storekeeper should solicit a quotation from a source other than the previous supplier before placing a repeat order.

b. Purchases over the Micro-Purchase Threshold

(1) Generally, the shipboard contracting officer/buyer/storekeeper should solicit at least three qualified sources that will independently contend for the award and can satisfy the Navy's requirement to obtain adequate price competition. If practicable, two sources not included in the previous solicitation should be requested to furnish quotations on the present requirement. However, all qualified sources must, upon request, be allowed to submit a quotation if their quotes are submitted in a timely fashion.

(2) The receipt of more than one quotation is not necessarily an indication that adequate price competition has been obtained. The contracting officer/buyer/storekeeper must evaluate the quotations to ensure that the quoted prices are fair and reasonable. (See paragraph 8 below.)

(3) The contracting officer/buyer/storekeeper may restrict the solicitation to only one source providing that the purchase file is properly documented with a written determination explaining the lack of competition (the unique nature of the supply or service) and how the contracting officer will determine the price fair and reasonable. This determination will be based on a statement provided by the customer that should describe why the requested supply or service is the only one that will meet the Government's minimum need. For example, statements like "only known source" or "only source that can meet required delivery date" are not adequate reasons for which to restrict the required competition.

5. Restrictions on Certain Foreign Purchases

a. Ships may not acquire supplies or services from foreign governments or their organizations when these supplies cannot have otherwise been imported into the United States lawfully. Therefore, except as provided below, ships shall not acquire or receive from their contractors or subcontractors supplies or services originating from sources within or that were located in

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or transported from restricted countries. Those countries include

- (1) Cuba (31 CFR Part 515),
- (2) Iran (31 CFR Part 560),
- (3) Libya (31 CFR Part 550,
- (4) North Korea (31 CFR Part 500), and
- (5) Sudan (31 CFR part 538).

b. Unless agency procedures require a higher level of approval, the contracting officer may, in unusual circumstances, acquire for use outside the United States supplies and services restricted in paragraph (a) above. Examples of unusual circumstances are an emergency or when the supplies or services are not otherwise available and a substitute is not acceptable. The contracting officer must provide documentation in the contract file whenever this exception is used.

c. The contracting officer must check the lists of entities and individuals subject to economic sanctions that are available on the Office of Asset Control (OFAC) website at <http://www.treas.gov/ofac> and may not acquire from such entities and individuals (FAR 25.70 1(b)).

The contracting officer is no longer authorized in unusual circumstances (see B above) to acquire for use outside the U.S. supplies or services restricted by this section unless specifically authorized by OFAC. However, OFAC has granted authority to DOD personnel to make emergency acquisitions in direct support of U.S. or allied forces deployed in military contingency, humanitarian or peacekeeping operations in a country or region subject to economic sanctions administered by OFAC (See DFARS 225.701-70).

6. Transportation in Supply Orders

a. General. Transportation and traffic management factors are important in awarding and administering simplified acquisitions to ensure that purchases are made on the most advantageous basis to the Navy, supplies arrive in good order and condition, and supplies are delivered on time to the required place. FAR Part 13.106-2(a)(1)(ii) requires contracting officers to evaluate quotations or offers inclusive of transportation charges from the supplier's shipping point to the final delivery destination. Consequently, contracting

officers must not only consider the affect of the transportation terms on the contract award but the overall cost of delivering supplies to the final destination. The contractor and contracting officer must agree on the transportation terms and conditions related to the Free on Board (FOB) point. FOB is the term used in conjunction with a physical point (e.g., destination, origin, Consolidation and Containerization Points (CCPs) such as Defense Distribution Depot San Joaquin (DDJC), ISSOT, Vendor Receipt and Expediting Program (VREP), vessel, air carrier's terminal, inland carrier, etc.) to determine:

(1) The responsibility and basis for payment of freight charges,

(2) The point at which inspection and acceptance normally occurs; and

(3) The point at which responsibility or title to the supplies normally passes to the Navy.

(4) Transportation terms and procedures. FOB Destination. FOB destination terms should generally be requested from all quoters, as this transportation term requires the contractor to arrange and to be responsible for the material until it reaches the destination. The cost of transportation is not shown as a separate item; but it is included in the total cost of the order.

b. FOB Origin Freight Prepaid

(1) When FOB destination terms are not obtainable, the use of FOB origin, freight prepaid terms are recommended over other FOB origin clauses when the supplies are unclassified and the shipment will not exceed 150 pounds by any form of commercial air or 1,000 pounds by other commercial carriers and the shipping cost is less than or equal to \$100.00.

(2) FOB Origin Freight Prepaid. This term refers to situations when the contractor arranges shipping and the Navy is not charged for shipping until the shipment is delivered to the specified city's U.S. postal service facility, carrier's freight station, on-board carrier's wharf within reach of the ship's loading tackle or any point located within the same city that is designated by the contracting officer.

(3) When FOB origin terms are agreed upon.

(a) The contractor is only responsible for the material until it is delivered to a shipper/carrier.

(b) The contractor's quote must include the cost of material and the shipping cost as separate line items.

(c) Government ownership normally occurs when the contractor delivers the goods to the shipper. Therefore, the contractor is entitled to payment for the goods upon presentation of evidence that the shipment was received at destination.

(d) The clause at FAR 52.247-32, FOB Origin, Freight Prepaid, declares that the city and state from which the shipment originates and the estimated freight charges shall be included in the written solicitation and the ordering document or file documentation when an oral order is given to the contractor.

If the prepaid transportation charges exceed the threshold, shipping charges above the prescribed limits shall be taken from the procurement line of accounting supporting the contract action.

c. Evaluation of Transportation Orders. The contracting officer/buyer may include a statement in the solicitation that quotations submitted on a basis other than FOB destination will be rejected as nonresponsive when FOB destination only quotations are desired for shipments originating from and delivered to locations within CONUS. When the practice within the industry concerned does not normally include quoting FOB Destination terms, the contracting officer/buyer shall specify that quotations may be FOB destination, FOB origin or both.

If the solicitation is oral, the contracting officer/buyer will notify the contractor of the applicable transportation terms and conditions. FAR clause 52.247-45 FOB origin and/or FOB destination evaluation shall be incorporated into the solicitation and award if terms other than FOB destination may be considered during the quotation evaluation process.

d. Transportation Account Code(s) (TAC). When a TAC is available for the appropriation financing the purchase, the transportation costs prepaid by the contractor are not charged directly to the appropriation. The order shall include the appropriate four digit TAC to pay the freight charges. The TAC assigned to the order based upon the procuring appropriation that is financing the purchase is illustrated below:

*The DON TAC Website can be found at <http://www.daas.dla.mil/>, select DAASC services from the home page and then select TACINQ.

7. Record of Solicitation. Regardless of how the solicitation is issued whether orally or in writing, all of the information obtained during the solicitation must be recorded in the purchase file. Shipboard contracting personnel may record the information on a locally developed worksheet or an electronically generated worksheet. For micro-purchases,

solicitation information may be documented on the requisition form, a telephone conversation record or other similar document. As a minimum solicitation documentation should include:

- a. Identification of quoter including business name, address, phone number and POC,
- b. Date and time of quotation received (quotation number and expiration date, if applicable),
- c. Quoters business size representation,
- d. Other representations of quoters qualifications, if applicable,
- e. Brand name and model, part or catalog number of each item quoted on, and
- f. Country of origin of quoted item (place the product was manufactured or produced if other than the U.S.).
- g. Unit and extended price for each item or service;
- h. Total price of all items quoted;
- i. Proposed delivery date if different from Navy's required delivery date;
- j. Transportation terms and if applicable transportation charges;
- k. Quantity or trade discounts offered; if applicable;
- l. Minimum order charge, if applicable, and;
- m. Prompt payment discounts, if any.

8. Price Reasonableness Determination

a. General. It is the responsibility of the buyer to ensure that every purchase is made at a fair and reasonable price and that the Government gets what it pays for in terms of quality and delivery.

b. Micro-Purchases. Although every price paid must be determined to be fair and reasonable, the added administrative expense of seeking competition and verifying the reasonableness of the price may outweigh the savings received. Therefore, for micro-purchases, a written price reasonableness determination is not necessary unless the buyer has some reason to question the price.

(1) Prices generally can be determined to be fair and reasonable simply by applying common sense. One test of reasonableness is to ask yourself, "Would I pay this price if I was spending my own money to purchase this item?" The personal judgment of the contracting officer based on previous buys, personal experience, etc., may be all that is necessary to determine a price fair and reasonable.

(2) In the event the buyer feels the price is not fair, further action must be taken. Often all that is needed is a

better understanding of what we are buying from the customer or more information from the contractor as to how the pricing was accomplished. If this does not provide enough information, more detailed guidance may be found in the following paragraphs.

c. Price Reasonableness in Purchases over the Micro-Purchase Threshold. A written price reasonableness determination is required for all simplified acquisitions exceeding the micro-purchase threshold. The written determination that the proposed price is fair and reasonable should generally be based on adequate price competition. However, other methods may be necessary to determine price reasonableness if only one response is received or the price competition is considered inadequate.

9. Price Evaluation. It is the responsibility of the contracting officer/buyer to ensure that every purchase is made at a fair and reasonable price and that the Government gets what it pays for in terms of quality and delivery.

a. What is a Fair and Reasonable Price? A fair and reasonable price is a price that is fair and reasonable to both parties (DON and the contractor) considering the promised quality and timeliness of the contractor's performance. In any given procurement action, there is rarely a single price that is fair and reasonable to all parties. More than likely there will be a range of prices that are fair and reasonable under the immediate circumstances considering the character of the marketplace in which the supply or service is normally sold and the degree of competition available. Therefore, you should consider current market conditions in determining if a quoted price is fair and reasonable.

b. Price Analysis. When awarding procurements using SAP, the conclusion that a price is fair and reasonable is generally based on price analysis. Price analysis is the process of examining and evaluating a prospective price without considering the estimated cost of the elements and proposed profit of the quoter whose price is being evaluated. In many cases, price analysis uses comparisons to establish a basis for determining price reasonableness. The price analysis techniques normally

employed when evaluating quoted prices on simplified acquisition requirements are discussed below in paragraph 10.

10. Price Analysis Techniques

a. Primary Techniques. Primary price analysis techniques are pricing methods that can stand-alone and normally require no further information or analysis by the contracting officer/buyer.

(1) Price Competition. Effective or adequate price competition exists when quotations are solicited from a reasonable number of sources, (as a minimum at least three sources should be solicited) and at least two quotations that meet the requirements of the solicitation are received from contractors who independently contend for the award. When these conditions are met, the contracting officer/buyer should normally find a fairly tight cluster of quotations. This is often referred to as a competitive range.

The proximity of the range of prices would provide the contracting officer/buyer an indication that effective/adequate price competition has been obtained and the award can be made without additional comparisons. If the quoted prices vary significantly, it could mean a quoter is efficient and has obtained quantity discounts for the item being purchased that are being passed on, or he/she is trying to buy-in with an unrealistic low price or has provided a mistaken quotation.

In cases where price analysis does not adequately confirm price reasonableness, the contracting officer/buyer must obtain additional information and perform further analysis to support a determination that the price is fair and reasonable. In addition, based on past experience and personal judgment the contracting officer/buyer must make analysis of the real worth of the quoted item. For example, if the range of prices for 5 gallons of latex paint was \$150.00, \$165.00 and \$170.00, the prices on the surface are obviously not fair and reasonable and require further analysis.

(2) Established Catalog or Market Prices. When only one quote is received or price competition is otherwise determined inadequate, the buyer must use other price analysis techniques to determine the quoted prices to be fair and reasonable. The use of established catalog or market prices is one valid comparison that can assist the contracting officer/buyer in reaching a valid determination that the quoted prices are fair and reasonable. Contracting officers/buyers should be aware that established market prices or catalog prices by themselves do not establish price reasonableness. Additionally, price analysis should be performed using other available techniques to verify the validity of the catalog or market prices. The use of

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catalog or market prices can be a valid comparison provided the catalog or market price meets the following criteria.

(a) An established catalog price is a price included in a catalog, price list, schedule or other form that is regularly maintained by the vendor, published or otherwise made available for inspection by customers. It states prices at which sales are currently or were last made to a significant number of persons or businesses constituting the general public.

(b) An established market price is the price established in the normal course of business between buyers and sellers in the commercial marketplace. It must be established independently of the manufacturer or vendor. Market prices can generally be verified through newspaper, radio or television advertisement, etc.

(c) The item being purchased must be a commercial item that is regularly used for other than Governmental purposes and is sold or traded in the course of normal operations.

(d) Supplies are sold in substantial quantities when the facts or circumstances support a reasonable conclusion that the quantities regularly sold are sufficient to constitute a real commercial market for the item. Nominal quantities like models, specimens, samples and prototype or experimental units do not meet this requirement.

(e) The services are sold in substantial quantities and are customarily provided by the company, with personnel regularly employed and with equipment, if any is needed, regularly maintained either solely or principally to provide such services.

(f) The item must be sold to the general public. Generally an item is considered sold in the general marketplace when it is used by other than Government offices/personnel.

(3) Prices Set by Law or Regulation. The contracting officer's/buyer's price evaluation job is relatively simple if the price quoted is set by law or regulation. The quoter is required to identify the regulated price. The buyer must ensure the quoter is the entity being regulated. Some suppliers sell mostly to regulated industries and are subject to the laws and regulations governing sales to those industries. Sales to the federal Government may not be subject to those laws or regulations. If the federal Government sales are not controlled by such legally established prices, the buyer should use the established catalog or market price technique.

b. Secondary Price Analysis Techniques. Secondary pricing techniques are techniques that are used to support primary

techniques when those have been determined to be ineffective or inadequate.

(1) Historical Comparisons. Historical comparisons of previous quotations or contract prices with current quotations for the same or similar items can be an effective tool to support a determination that the quoted price is fair and reasonable if the following criteria is met.

(a) The prior purchase price was determined in writing to be fair and reasonable. When comparing the quoted price to a previous contract price or quotation, the buyer needs to evaluate the competitive environment shaping the prices. Purchase quantity, delivery time, transportation charges and special packaging all affect the quoted price.

(b) The buyer should select the most recent prices available. The greater the time difference, the less reliable the comparison of the prices may be.

(c) The buyer should select previous buys that had identical or similar quantities. Since large quantity differences can make the comparison less reliable, the buyer should explain how he/she arrived at the decision prices were comparable despite the variations in the quantities being compared.

(2) Independent Government Estimate (IGE)

(a) A quoted price may be compared to a reliable, supported and documented IGE if the primary analysis techniques have proved inadequate. The contracting officer/buyer must evaluate the supporting documentation provided by the requirer/customer (i.e., engineer, technical POC, etc.) to determine how the IGE was derived. The documentation should include a validation of the amount of labor effort required, the type of materials, any travel or other direct costs.

(b) The purchase request estimate can be a valid standard for comparison if the originator used a reasonable past purchase price (including the previous purchase price paid and quantity) or other pricing information and identifies where the information was derived.

(c) The requiring activity can perform a technical analysis of the item being purchased as a basis to establish price reasonableness. The technical analysis should provide supporting documentation explaining the basis of the analysis and/or when the price is considered fair and reasonable.

c. Auxiliary Pricing Techniques. When the contracting officer/buyer finds the primary and secondary pricing techniques

ineffective or inadequate, he/she may use auxiliary pricing techniques to support a determination of fair and reasonable pricing. These techniques should be used in support of and in conjunction with one of the other methods identified above.

(1) Value Analysis. A value analysis can corroborate or challenge conclusions developed after the other analyses are performed. Value analysis attempts to develop the intrinsic worth of a product or service. This analysis may help a contracting officer/buyer justify a price offered by a sole source or explain differences between past buys and present quotes. To use value analysis, the buyer/contracting officer will need to obtain additional information from the customer and/or the contractor (e.g., intended use, any special manufacturing processes or treatments which would support a higher price, cost of the end item that is inoperable because of a missing part). With the assistance of the customer and contractor, you must carefully review the Government's requirement and answer the following questions where applicable;

- (a) What does the product have to do?
- (b) What does it cost now? What prices did we pay previously? What does it cost to operate and maintain?
- (c) Is it part of a larger system or product? What is the cost of the system or product?
- (d) What is the affect on mission accomplishment without the availability of the item? (Expressed in terms of dollars and cents.)

(2) Price Breakdowns. A second auxiliary pricing technique is the use of price breakdowns. This will require obtaining additional pricing data from the contractor. Some questions that the contracting officer/buyer should ask to obtain price breakdown information would be:

- (a) What does the contractor pay for the item? What added value does he/she provide? (i.e., repacking, marking, bar coding.)
- (b) What are the components or elements of the contractor's pricing?
- (c) How much does he/she pay the personnel providing the service? What are the basic labor rates?

The cost information obtained from these and other applicable questions may only be used to supplement the other primary and secondary techniques.

(3) Parametric Analysis (Rough Yardsticks). Cost Estimating Relationships (CERs) are sometimes used to develop parametric estimates or rough yardstick estimates with which to support a determination that the price is fair and reasonable. A CER is a formula for estimating prices based on the relationship of past prices with one or more product, physical or performance characteristics (e.g., dollars per pound or dollars per horsepower). Whenever you can relate item price with a value of one or more physical or performance characteristics, you can use the relationship to estimate the price of the same or similar product. For example, builders commonly estimate the price of a planned building by multiplying the number of square feet in the building by an estimated cost per square foot. When using CERs the contracting officer/buyer must ask themselves three questions. Has the CER been widely accepted in the marketplace (i.e., widely accepted by both buyers and sellers)? Does the CER produce reasonable results? (The user has the burden of proving that the rough yardstick produces reasonable estimates.) How accurate is the CER? (The buyer should validate using known product data and prices.)

If the contracting officer/buyer cannot make a valid determination that the quoted price is fair and reasonable, he/she should request assistance from a regional contracting activity, Defense Contract Management Command, Defense Contract Audit Agency, Navy Price Fighters or an in-house price analyst.

d. Written Determinations of Fair and Reasonable Pricing. Regardless of the price analysis methods used, all purchase actions over the micro-purchase threshold must be accompanied by a written determination by the contracting officer that the awarded price is fair and reasonable. The contracting officer/buyer should provide adequate documentation to support a determination that the awarded price is fair and reasonable. A sample of a pricing justification form is provided at the end of this chapter.

11. File Documentation. Regardless of the method used to determine price reasonableness in actions over the micro-purchase threshold, the purchase file should contain adequate documentation to support the contracting officer's determination that a fair and reasonable price has been paid for the required material or service. (See sample documentation form at the end of this chapter.)

12. Selecting the Award Method. The contracting officer shall select the simplified acquisition method that best fits the requirement.

13. Notification of Unsuccessful Quoters. Notification to unsuccessful quoters shall be given only if requested. In the interest of fostering competition, the name of the awardee

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(i.e., successful quoter) and the award price, including discount terms shall be included in the notification.

(DATE)

FAIR AND REASONABLE PRICE DETERMINATION

Ref: Purchase Request/Solicitation Number _____

1. I am recommending award to XXXXXXXX. I used one or more of the following price analysis techniques compared to the quoted price of \$ _____. The quoted price was similar enough to the comparative price(s) to conclude that the quoted price is determined fair and reasonable.

a. Adequate Price Competition. XX vendors were solicited and XX quotes were received. After comparing the quoted prices, I consider the quotes to be competitive. See the Simplified Acquisition Worksheet or other record of price quotes received.

b. Commercial Catalog or Published Price List

(1) Manufacturer/Vendor's Name: _____

(2) Catalog/List Title or Number:

(3) Effective Dates:

(4) Page Number(s):

(5) Catalog/List Prices: _____

The quoted price is the same as the catalog or published price(s) noted above and reflects prices charged to customers buying the same or similar quantities.

The quoted price is higher/lower than the catalog or published price list and is considered fair and reasonable under the circumstances of this acquisition. The decision is based on the following factors:

c. Established Market Price or Prices Set by Law/Regulation. The quoted price is the same as the established market price or the prices set by law or regulation as verified by:

d. Historical Comparison for the Same or Similar Item(s)

(1) Prior Contractor:

(2) Order No:

(3) Date purchased:

(4) Quantity and Unit of Issue:

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FAIR AND REASONABLE PRICE DETERMINATION (Cont'd)

(5) Unit Price Previously paid: _____

e. Basis For Determining Prior Price Reasonable:

If the item(s) are not identical, explain why the comparison is
considered valid: _____

Other Price Analyses or Comments:

- a. Value analysis
- b. Price analysis
- c. Parametric analysis

2. As the contracting officer for this pending award, I have reviewed the above pricing documentation and do hereby make the determination that the price of the suggested quote is fair and reasonable. I authorize the buyer to proceed with the award.

PREPARED BY: _____
(Buyer signature and date)

APPROVED BY: _____
(Contracting Office signature and date)

CHAPTER 5

SHIPBOARD PROCUREMENT METHODS

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

1. Scope. The scope of this chapter is to provide guidance on the various policies and procedures established for using the various shipboard procurement methods.

2. General. The policies and procedures authorized in this chapter for awarding purchases using SAP and other contracting methods are discussed in the following chapters.

- a. Chapter 5A Delivery/Task Orders.
- b. Chapter 5B Simplified Acquisition Methods.
 - Section I: Imprest Funds
 - Section II: Government-wide Purchase Card
 - Section III: Blanket Purchase Agreements
 - Section IV: Purchase Orders

3. Policy. Shipboard contracting officers/buyers shall make purchases in the simplified manner that is most suitable, efficient and economical based on the circumstances of each acquisition. Shipboard contracting personnel should screen all requirements for their availability from required sources, local contracts or Government-wide contracts for supplies and services. Among other considerations shipboard contracting personnel shall promote competition to the maximum extent practicable, establish deadlines for the submission of responses to solicitations that afford all supplies an reasonable opportunity to respond, consider all quotations timely received and use the award procedure best suited to the requirement.

CHAPTER 5A

DELIVERY/TASK ORDERS

1. Scope. This chapter prescribes shipboard procedures for issuing Delivery/Task Orders for supplies and services under the terms and conditions of existing indefinite delivery type contracts.

2. Indefinite Delivery Type Contract (IDTC)

a. Advantages. As used in this enclosure, IDTCs are contracts entered into by shore-based contracting organizations supporting Fleet requirements. IDTCs are established when a future need for supplies and services is known; but the exact times and/or quantities of future deliveries are not known at the time of contract award. IDTCs offer the following advantages to the Fleet.

(1) These contracts permit direct ordering (with flexibility in both quantities and delivery scheduling) from the contractor by ships when requirements materialize via the issuance of delivery/task orders.

(2) When issuing delivery/task orders against IDTCs, the ship's contracting officers do not need to search for sources, seek competition, negotiate terms and conditions or price, include or repeat the clauses that are in the contract or make written determination that the prices are fair and reasonable.

b. Examples. Some examples of the types of supplies and services that may be available under IDTCs.

(1) Contracts for husbanding services, which allow the husbanding agent to provide and also subcontract with the necessary sources to provide for port services, material or personnel transporting services, consumable supplies and/or subsistence required by the ship upon entering or while staying in the port.

(2) Subsistence items including fresh meats, poultry, fish, produce and/or dairy products required by the ship.

(3) Master ship repairs and alterations of the vessel for overseas use if not restricted by the TYCOM;

(4) Cargo and propulsion fuel in emergency situations when approval has been obtained from NOLSC in coordination with the Defense Fuel Supply Center (DFSC) or NAVSEA, as applicable, and their guidance for using the contract (or for procuring the fuel using SAP) is followed.

3. Delivery/Task Order Logs. An order log shall be maintained in the supply department for each IDTC. Data for each order shall be entered on this log as the order is issued. (See example at the end of Chapter 4, enclosure (1).)

4. Preparation of the Delivery/Task Order. All delivery/task orders must be issued on DD 1155, Order for Supplies or Services. If oral orders are authorized by the contract, DD 1155 may be issued after the oral order is placed (see paragraph 5). The block-by-block instructions for the completion of DD 1155 are provided in the table at the end of Chapter 4, enclosure (1).

5. Oral Orders

a. The ship's ordering officer may issue oral orders only if it is permitted in the contract. The oral order may not exceed the amount authorized for this ordering procedure. Order processing procedures may only be used when all terms and requirements of the order can be communicated orally. The ordering officer must:

- (1) Identify him/herself to the contractor,
- (2) Identify the contract number,
- (3) Identify the delivery/task order number that applies to the order,
- (4) Specify the contract item(s) to be furnished, include the item description so there is no misunderstanding about which CLINs are being ordered,
- (5) State quantity being ordered plus unit and extended price for each item being ordered,
- (6) Stipulate the date and time that delivery is required, and
- (7) Receive the contractor's oral acknowledgement that he/she agrees to deliver the items/services as stipulated.

b. Record the information about the order in the Delivery/Task Order Log for the contract.

c. Oral Orders. Oral orders may be issued against an IDTC if authorized in the basic contract. If payment will be made by GCPC, issuance of a confirming written order is not required. The cardholder must ensure that the information required by FAR 16.505 (a) (6) is documented in the purchase file or on the GCPC purchase log/IDTC delivery order/task order log.

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d. If payment will not be made by GCPC, oral orders must be confirmed in writing. The basic contract will provide instruction on ordering and confirmation procedures. Confirm the oral order in writing with a DD 1155. In the schedule of the DD 1155 above all line items, enter "CONFIRMING ORDER - DO NOT DUPLICATE". Oral orders must be confirmed on a bimonthly basis when more than one oral order is consolidated for a single confirmation.

6. Distribution of Delivery/Task Orders. Ships must develop and maintain a system for the distribution of delivery/task orders. In addition to a signed copy being forwarded to the contractor and a copy maintained in the official contract file, other distribution should be made per NAVSUP Pub 485 and relevant TYCOM instructions.

7. Modification of Delivery/Task Orders. The procedures for all modifications are found in Chapter 6 of this enclosure.

8. Inspection and Acceptance. The procedures for inspections and acceptance are the same as any other shipboard procurement. Inspection and acceptance procedures are in Chapter 6 of this enclosure.

9. Payment Procedures. If specific payment procedures are stipulated in the contract, they shall be followed. Otherwise, the ordering officer shall stipulate the payment terms in the same fashion as required using SAP (see Chapter 6).

CHAPTER 5B

Imprest Funds

1. Scope. This chapter will provide guidance on establishing and operating Imprest Funds within DON.

2. Policy

a. Operation and Establishment. The Office of the Under Secretary of Defense, Comptroller (OUSD(C)) memo of 28 March 1996, directed the elimination of imprest funds within DOD. The Assistant Secretary of the Navy for Financial Management and Comptroller (ASN(FM&C)) memo of 25 April 1996 implemented this policy for the Navy. The operation of imprest funds at CONUS and OCONUS locations has not been authorized since 1 October 1997.

b. Exceptions. Requests for waivers to the policy prohibiting establishing and operating imprest funds may be granted by OUSD(C) for contingency operations and for exceptional circumstances. Requests shall be submitted to OUSD(C) via NAVSUP 02 and (ASN(FM&C)). Each request must provide adequate justification and demonstrate that the use of the GCPC, accommodation checks, the Government Travel Card, EFT or other reasonable alternatives is not practicable.

c. Deployed and afloat units who have been properly authorized to maintain an imprest fund per paragraph b above should use the procedures found in enclosure (1) Chapter 7A, Section I of this instruction.

CHAPTER 5C

GCPC

1. Scope. This chapter prescribes guidance on the DON GCPC Program.

2. General

a. The GCPC shall be used to purchase or pay for all micro-purchase requirements unless a written determination by a SES, flag or general officer is provided in the purchase file. The GCPC should be used as a method of payment for traditional simplified acquisition methods (e.g., POs and BPA Calls) issued over the micro-purchase threshold.

b. DON guidance on the policies and procedures established for the use of the GCPC can be found in the EBUSOPSOFFINST 4200.1 series.

c. Contracting officers should become familiar with the guidance provided in the EBUSOPSOFFINST 4200.1 series and Chapter 9, enclosure (1) of this instruction. Both address the use of the GCPC as a method payment.

CHAPTER 5D

BLANKET PURCHASE AGREEMENT (BPA)

1. Scope. This chapter prescribes procedures to be used by ships that are authorized to place calls against previously established BPAs.

2. Establishing the Authority to Use BPAs

a. A BPA is an agreement similar to a "charge account" with a supplier who will furnish specific categories of supplies or services under prearranged terms and conditions. BPAs are generally established by shore contracting activities to provide logistical support to ashore and afloat activities. Ships are not authorized to establish BPAs.

b. BPAs are only appropriate for shipboard use when the ship will have repetitive requirements that cannot be acquired in a timely fashion by use of the GWPC or shore-based logistics support personnel. Under the appropriate conditions, use of BPAs is encouraged since orders charged to BPAs are normally made verbally over the phone thereby eliminating the need for individual written orders.

c. Upon written request of the ship's commanding officer or supply officer, a servicing logistics support activity may establish BPAs for the ship or a ship may be authorized to use a shore activity's previously established BPAs. The ship's request should contain the following information:

(1) Commodity. The type of supplies or services required on a repetitive basis.

(2) Supplier. Suggested source(s) known to provide the needed supplies or services. To the maximum extent possible, more than one source should be suggested so multiple BPAs may be established at the same time.

(3) Period of Performance. The period of time during which the supplies or services will be needed.

(4) BPA Callers. Name(s) of individual(s) for whom authority is requested to place calls against the BPA and the maximum dollar limitation that shall be authorized for each BPA call.

(5) Paying Activity. Name and address of the activity authorized to make payments on behalf of the ship.

3. BPAs in General. If the ship's request is approved, the shore activity will negotiate and award

the BPA(s) and/or will authorize the ship to use previously established BPAs. The ship and the designated paying activity shall be provided copies of each BPA (or a summary or an instruction containing all the terms and conditions of the BPAs) the ship is authorized to use. Because the issuing contracting officer has already received each contractor's agreement to honor certain terms and conditions contained in the BPA, authorized BPA callers normally place their orders orally over the phone and do not have to negotiate the terms and conditions that were included in the basic agreement. BPA callers should become familiar with all terms and conditions prior to using this method.

4. List of BPA Callers. A list of individuals appointed as BPA callers and authorized to place BPA calls must be maintained by the ship. A copy of the list must be submitted to each shore activity that issued the BPAs the ship is authorized to use. The ship must immediately notify these same activities as the list is changed or updated.

5. Purchases Under BPAs

a. Requirements Screening Prior to Placement of Calls. As with any other method, prior to placing calls against the BPA, each requirement shall be screened for availability from the supply system and mandatory Government sources of supply.

b. Solicitation Procedures. The applicable solicitation and evaluation procedures found in Chapter 5 apply. If the contractor who otherwise qualifies for the award does not have a BPA, the contractor shall be awarded the order using one of the other simplified acquisition methods. The authority to use BPAs does not allow the ship to preclude other qualified sources from award.

c. Placement of BPA Calls. BPA calls will normally be placed by telephone. Written calls can be made on the DD 1155 but are discouraged.

d. Documentation of BPA Calls. Each BPA call shall be documented on the purchase request (requisition) or on a buyer's worksheet. The documentation must include the following information.

- (1) BPA number.
- (2) Call number.
- (3) Date of call.
- (4) Date of required delivery or performance

(5) Description of the items ordered.

(6) Quantities.

(7) Unit and extended prices of each item; and total price for the call.

(8) Transportation terms and, if applicable, TAC and estimated price of transportation.

(9) Signature of person placing call.

e. Distribution of Calls. The annotated purchase request and/or worksheet shall be distributed per NAVSUP Publication 485 relevant TYCOM instructions and local shipboard requirements.

f. Receipt of Material. When delivery is made or services are performed, the contractor's sales document, delivery ticket, or invoice (if it reflects the essential elements) may be used for recording receipt and acceptance of the supplies or services.

g. Call Number. BPA calls are normally identified by a four position numeric call number assigned by the contracting activity that established the BPA for the ship's use. However, if no such assignment is made, then the ship's BPA calls shall be numbered with the ship's call number starting with the ship's UIC, followed by a dash, finished with a four-digit serial number. For example: 00123-0001. The serial numbers for each separate BPA call begins with 0001 and proceeds through 9999. BPA call numbers should be assigned in sequential order and continue until the BPA itself expires or is updated.

h. BPA Logs. Calls shall be recorded on a BPA log similar to the one shown at the end of Chapter 7A, Section III, enclosure (1). A log shall be established for each BPA that is used.

6. Annual Review of BPA Calls. The supply officer or his/her designated representative shall annually review the calls placed during the reporting period stipulated by the activity that issued the BPA. An annual review of the BPAs used shall be conducted.

a. The review will ensure:

(1) Mandatory sources of supply are not being circumvented (ignored),

(2) Calls are being distributed equitably among qualified suppliers or being competed, if required,

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(3) Calls are being placed only by authorized personnel within their established monetary limitations,

(4) Requirements are not being split, and

(5) BPA calls are adequately documented (e.g., call record information and appropriate signatures, justification for exception to mandatory supply sources, record of firms solicited and responses received and/or price reasonableness documentation for calls over the micro-purchase threshold; and sole source justification).

b. The annual review shall also examine the frequency of use of the BPA being reviewed. If the review shows that no calls or very few calls are placed (and calls are otherwise being equitably distributed), then consider asking the contracting activity that issued the BPA to cancel it.

c. If circumstances warrant, the annual review of BPAs may be limited to 50 percent of the BPAs used. In any event, all BPAs will be reviewed at least once in a 2 year period.

d. The results of each reviewed BPA shall be recorded on a BPA Call Review Report (NAVSUP 1328). A copy of the completed form shall be placed in the BPA file. The signed original of each completed NAVSUP 1328 will be forwarded to the contracting officer who issued the BPA within 25 days after completion of the review.

CHAPTER 5E

PURCHASE ORDERS (PO)

1. Scope. This chapter provides guidance on the issuance of POs for supplies and services by shipboard contracting officers.

2. General. A quotation is not an offer and cannot be accepted by the ship's contracting officer to form a binding contract. When the contracting officer issues an order for supplies or services in response to a supplier's quotation, the issuance of the order itself does not establish a contract. The order is merely an offer by the contracting officer to buy certain supplies or services from the supplier under specified terms and conditions. If the contractor accepts the offer, a binding contract is formed. The purpose of this chapter is to prescribe the SAP the contracting officer must follow when issuing written orders which are called POs.

3. PO Log. A PO log shall be maintained in the supply department. Data for each order shall be entered on this log as the order is issued. As a minimum, the log should include the requisition or funding document number, the amount of the order, the PO number, date of the order and a description of the supply or service.

4. Numbering. Each PO shall be assigned a unique PIIN and these PIINs should be assigned in sequential order. The PIIN for a PO is a 13 digit alphanumeric number that contains dashes between each of its four data fields. The PIIN is constructed as follows:

a. The first through sixth symbol in the PIIN identifies the purchasing activity/ship. This six digit alpha-numeric data field starts with an "N" for Navy (or "M" for Marine Corps) followed by the ship's Unit Identification Code (UIC);

b. The seventh and eighth positions in the PIIN shall be the last two digits of the Fiscal Year in which the order is issued;

c. The ninth position indicates the type of procurement instrument being issued and shall be the letter "M" which stands for manual PO; and

d. The tenth through thirteenth positions in the PIIN shall be a four-digit serial number sequentially assigned by the buyer starting with 0001 and proceeding through 9999. Each Fiscal Year's PIINs shall start with 0001 on the date the first PO is issued in that year.

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The following example illustrates a complete PIIN as it should appear on the PO:

AGENCY & UIC		FY		TYPE		SERIAL NUMBER
N00023	-	96	-	M	-	0001
N00023-96-M-0001)						

5. Types of POs. A PO is issued as a unilateral or bilateral order. To determine which type of PO should be issued the following guidance is provided.

a. Unilateral PO. A unilateral PO is an offer by the contracting officer to buy supplies or services. Acceptance of the unilateral offer by the contractor is by performance. This may be by proceeding to perform the work required to furnish the supplies or services, by delivering the supplies by the required delivery date, or performing the services within the period of performance. The contractor may decide not to accept the offer by simply not performing. Although the contractor is not obligated to perform, most do accept these unilateral offers and perform in a timely manner. Since this type of PO involves less paperwork and time consumption for both the contracting officer and the contractor, it is preferred in most cases and is the most commonly used type of PO.

b. Bilateral PO. A bilateral PO is an offer by the contracting officer which the contractor accepts by signing the PO. In a bilateral PO, the contracting officer signs the DD 1155 and forwards it to the contractor for signature. The contractor is requested to indicate acceptance of the offer by signing the acceptance portion of block 16 on the face of the DD 1155. If the contractor chooses to accept the offer, he/she will sign the DD 1155 and return it to the contracting officer before any performance takes place. The contractor's signature creates a contract that is binding on both parties. The contractor is now legally bound to perform per the terms and conditions of the contract. Bilateral POs are not normally required; however POs must be bilateral in the following cases:

(1) A Government furnished property clause is included in the order.

(2) Classified acquisitions when the purchase is made within the U.S., its possessions and Puerto Rico where a requirement for classified information and a DD 254, Contract Security Classification Specification is incorporated into the PO.

(3) The order is for mortuary services.

(4) The contracting officer decides that a bilateral order is in the best interest of the Government due to the critical nature of the required supplies or services.

6. Forms

a. A PO shall be issued on a DD 1155, Order for Supplies or Services (unless the contracting officer is issuing an unsigned electronic PO as prescribed in paragraph 10 below). The block-by-block instructions for the completion of the DD 1155 are provided in a sample at the end of Chapter 4 of this instruction. The DD 1155 may be used for the following purposes:

(1) As a PO when the order is issued within the contracting officer's delegated simplified acquisition authority.

(2) As a delivery/task order when the order is issued under the terms and conditions of a pre-established contract by appointed ordering officers.

(3) As a receiving, inspection and acceptance report when used by members of the ship's company responsible for these duties.

(4) As a payment or public voucher record when the ship's disbursing officer pays the supplier's invoice(s).

b. If all of the information required in the PO will not fit on the DD 1155, the Optional Form 336, Continuation Sheet, or plain paper may be used to continue/finish the order or modification.

7. Clause Application

a. The FAR and DFARS prescribe the use of clauses in DOD simplified acquisitions. Certain clauses must be incorporated into POs when required by the regulations. A clause sets forth specific terms and conditions that both the Government and the contractor are required to honor. The most commonly used clauses for requirements found under FAR Part 13 are provided below. Shipboard contracting officers need to use FAR Clause 52.213-4 in their basic POs. In addition, DFARS clause 252.211-7003 Item Identification and Validation must be included in all solicitations that require delivery of items.

"52.213-4 Terms and Conditions -- Simplified Acquisitions (Other Than Commercial Items) (Apr 2004)"

(1) The contractor shall comply with the following FAR clauses that are incorporated by reference.

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(1) The clauses listed below implement provisions of law or Executive Order:

(a) 52.222-3, Convict Labor (June 2003) (E.O. 11755).

(b) 52.222-21, Prohibition of Segregated Facilities (Feb 1999) (E.O. 11246).

(c) 52.222-26, Equal Opportunity (Apr 2002) (E.O. 11246).

(d) 52.225-13, Restrictions on Certain Foreign Purchases (Dec 2003) (E.O.s, proclamations, and statutes administered by the Office of Foreign Assets Control of the Dept of Treasury).

(e) 52.233-3, Protest After Award (Aug 1996) (31 U.S.C. 3553).

(2) Listed below are additional clauses that apply.

(a) 52.232-1, Payments (Apr 1984).

(b) 52.232-8, Discounts for Prompt Payment (Feb 2002).

(c) 52.232-11, Extras (Apr 1984).

(d) 52.232-25, Prompt Payment (Oct 2003).

(e) 52.233-1, Disputes (July 2002).

(f) 52.244-6, Subcontracts for Commercial Items (Apr 2003).

(g) 52.253-1, Computer Generated Forms (Jan 1991).

c. The contractor shall comply with the following FAR clauses incorporated by reference unless the circumstances do not apply.

(1) The clauses listed below implement provisions of law or Executive order:

(a) 52.222-19, Child Labor-Cooperation with Authorities and Remedies (Jan 2004) (E.O. 13126). (Applies to contracts for supplies exceeding the micro-purchase threshold.)

(b) 52.222-20, Walsh-Healey Public Contracts Act (DEC 1996) (41 U.S.C. 35-45) (Applies to supply contracts over

\$10,000 in the U.S., Puerto Rico or the U.S. Virgin Islands.)

(c) 52.222-35, Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (Dec 2001) (38 U.S.C. 4212) (Applies to contracts of \$25,000 or more.)

(d) 52.222-36, Affirmative Action for Workers with Disabilities (Jun 1998) (29 U.S.C. 793) (Applies to contracts over \$10,000 unless the work is to be performed outside the United States by employees recruited outside the United States.) (For purposes of this clause, United States includes the 50 States, the District of Columbia, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, and Wake Island.)

(e) 52.222-37, Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era and Other Eligible Veterans (Dec 2001) (38 U.S.C. 4212) (Applies to contracts of \$25,000 or more).

(f) 52.222-41, Service Contract Act of 1965, As Amended (May 1989) (41 U.S.C. 351, et seq.). (Applies to service contracts over \$2,500 that are subject to the Service Contract Act and will be performed in the U.S., District of Columbia, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, Johnston Island, Wake Island or the outer continental shelf lands.)

(g) 52.223-5, Pollution Prevention and Right-to-Know Information (Aug 2003) (E.O. 13148) (Applies to services performed on Federal facilities.)

(h) 52.225-1, Buy American Act-Supplies (June 2003) (41 U.S.C. 10a-10d) (Applies to contracts for supplies and to contracts for services involving the furnishing of supplies for use within the U.S. or its outlying areas if the value of the supply contract or supply portion of a service contract exceeds the micro-purchase threshold and the acquisition.)

1. Is set aside for small business concerns; or

2. Cannot be set aside for small business concerns (see 19.502-2) and does not exceed \$25,000.)

(i) 52.232-33, Payment by Electronic Funds Transfer-Central Contractor Registration (Oct 2003). (Applies when the payment will be made by Electronic Funds Transfer (EFT) and the payment office uses the Central Contractor Registration (CCR) database as its source of EFT information.)

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(j) 52.232-34, Payment by Electronic Funds Transfer-Other than Central Contractor Registration (May 1999). (Applies when the payment will be made by EFT and the payment office does not use the CCR database as its source of EFT information.)

(k) 52.247-64 Preference for Privately Owned U.S.-Flag Commercial Vessels (Apr 2003) (46 U.S.C. Appx 1241). Applies to supplies transported by ocean vessels (except for the types of subcontracts listed at 47.504(d)).

(2) Listed below are additional clauses that may apply.

(a) 52.209-6, Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (Jul 1995) (Applies to contracts over \$25,000.)

(b) 52.211-17, Delivery of Excess Quantities (Sep 1989) (Applies to fixed-price supplies.)

(c) 52.247-29, F.O.B. Origin (Jun 1988) (Applies to supplies if delivery is F.O.B. origin.)

(d) 52.247-34, F.O.B. Destination (Nov 1991) (Applies to supplies if delivery is F.O.B. destination.)

c. FAR 52.252-2, Clauses Incorporated by Reference (Feb 1998). This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the contracting officer will make their full text available.

d. Inspection/Acceptance. The contractor shall tender for acceptance only those items that conform to the requirements of this contract. The Government reserves the right to inspect or test any supplies or services that have been tendered for acceptance. The Government may require repair or replacement of nonconforming supplies or reperformance of nonconforming services at no increase in contract price. The Government must exercise its post-acceptance rights as follows.

(1) Within a reasonable period of time after the defect was discovered or should have been discovered, and

(2) Before any substantial change occurs in the condition of the item, unless the change is due to the defect of the item.

e. Excusable Delays. The contractor shall be liable for default unless nonperformance is caused by an occurrence beyond the reasonable control of the contractor and without its fault or negligence such as acts of God or the public enemy, acts of

the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, unusually severe weather and delays of common carriers. The contractor shall notify the contracting officer in writing as soon as it is reasonably possible after the start of any excusable delay giving the full particulars, shall remedy such occurrence with all reasonable dispatch and shall promptly give written notice to the contracting officer of the cessation of such occurrence.

f. Termination for the Government's Convenience. The Government reserves the right to terminate this contract or any part hereof, for its sole convenience. In the event of such termination, the contractor shall immediately stop all work and shall immediately cause any and all of its suppliers and subcontractors to cease work. Subject to the terms of this contract, the contractor shall be paid a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination plus reasonable charges that the contractor can demonstrate to the satisfaction of the Government using its standard record keeping system. The contractor shall not be required to comply with the cost accounting standards or contract cost principles for this purpose. This paragraph does not give the Government any right to audit the contractor's records. The contractor shall not be paid for any work performed or costs incurred that reasonably could have been avoided.

g. Termination for Cause. The Government may terminate this contract, or any part hereof, for cause in the event of any default by the contractor, or if the contractor fails to comply with any contract terms and conditions or fails to provide the Government, upon request, with adequate assurance of future performance. In the event of termination for cause, the Government shall not be liable to the contractor for any amount for supplies or services not accepted and the contractor shall be liable to the Government for any and all rights and remedies provided by law. If it is determined that the Government improperly terminated this contract for default, such termination shall be deemed a termination for convenience.

h. Warranty. The contractor warrants and implies that the items delivered hereunder are merchantable and fit for use for the particular purpose described in this contract.

(End Of Clause)

8. Additional Clause Usage

a. Government-Furnished Property Clauses. "Government-furnished property" is any equipment, material, supply, etc. owned by the Government that is furnished to a contractor to be

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repaired, consumed, modified, studied, etc. by the contractor's personnel. When ship's property (usually a piece of equipment) is to be removed from the ship by a contractor or delivered to the contractor's facility by the Government, the buyer must determine if a Government-Furnished Property (GFP) clause is required. A GFP clause must be included in the PO if the acquisition cost (i.e., the dollar amount which the Government paid for the property being furnished) exceeds SAT.

Although FAR 45.106(e) no longer requires a GFP clause when the cost of the item to be repaired does not exceed SAT, the GFP clause may be used if the contracting officer considers it advisable. If applicable, the buyer must include one of the GFP clauses found in FAR Pt 45.106.

b. Bilateral Clauses. Most clauses are incorporated by reference and may be used in unilateral POs. Under the conditions that require a bilateral PO, additional clauses must be included to protect the Government's and the contractor's rights, risks and responsibilities under the contract that is formed by the signature of both parties. Refer to Chapter 7A Section IV of enclosure (1) for applicable bilateral clauses.

9. Confirming Orders. The term "confirming order" is used to describe the method of orally placing a unilateral PO and then confirming the order in writing. POs are normally prepared in writing and sent to the contractor via the U.S. mail or facsimile machine. However, under emergency conditions it may be necessary to place an order with a contractor as quickly as possible. In this situation, the order may be placed orally but must be confirmed in writing at the earliest possible date after the oral order is placed.

a. Conditions For Use

(1) The order is for standard commercial supplies and services that are readily available.

(2) The order does not include terms and conditions that require the supplier's written acceptance (see bilateral orders).

(3) The supply officer, or his/her designated representative, approves the use of this method prior to the oral order being placed with the supplier.

(4) This type of order is acceptable to the supplier.

(5) The ship retains all administration functions.

b. Procedures

(1) Once the buyer has selected the contractor for award, the buyer's worksheet should be annotated that an oral order is required with that contractor. The buyer will then obtain the contracting officer's approving signature to place such an order.

(2) After obtaining the approval signature on the worksheet, the buyer should call the contractor and place the order by orally providing the same information that would be included on the DD 1155 to the contractor's representative. The buyer should provide at least the following information to the contractor when placing the oral order.

- (a) PO number.
- (b) A complete description of the item(s) or service(s) being procured, quantity and price.
- (c) Required delivery date or period of performance.
- (d) The location where the items are to be delivered or the services to be performed.
- (e) Transportation terms, if applicable.
- (f) Quantity discount terms, if applicable.
- (g) Prompt payment discount terms, if applicable.
- (h) Names of buyer and authorizing contracting officer.
- (i) The oral order is subject to all terms and conditions of the subsequent written confirming order.

(3) All oral POs must be confirmed in writing by preparing a unilateral DD 1155. Block 19, Schedule of Supplies or Services, should contain the following statement: "CONFIRMING ORDER - DO NOT DUPLICATE." Distribution of the confirming order must be made within 10 days of the oral order.

10. Unsigned Electronic PO (EPO). An unsigned EPO is a unilateral offer for supplies or services that is electronically transmitted via an official naval message to the supplier and, therefore, does not have the signature of the contracting officer on its face.

a. Conditions for Use. The ship's contracting officer may issue an unsigned EPO when all of the following conditions are present.

- (1) Its use is more advantageous to the Government than

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any other simplified acquisition method.

(2) The order does not include terms and conditions which require the supplier's written acceptance (see bilateral orders).

(3) The contracting officer approves the use of this method prior to the message being sent.

(4) The supplier has the capability of receiving such communications and this type of order is acceptable to the supplier.

(5) The ship retains all administration functions.

b. Procedures

(1) The buyer shall select the apparent awardee and annotate the buyer's worksheet that an EPO is acceptable to the contractor and is necessary to expedite the order. The buyer will then obtain the contracting officer's approval signature to place such an order.

(2) After obtaining the approval signature on the worksheet, the buyer shall follow shipboard procedures for the preparation of a message to be sent ship to shore. The message text shall include any information that is pertinent for the contractor's understanding of the order. Information such as accounting data, business size, etc., is not necessary. A DD 1155 shall not be prepared to confirm the order. A copy of the transmittal shall be in the purchase file as evidence that the award took place.

(3) The content of each EPO, over and above regulatory requirements, is determined by the individual acquisition. The following example of an EPO is for illustrative purposes only.

SAMPLE TRANSMITTED ELECTRONIC PO

To: Bell & Bright Co., Tokyo Division
7100 Hirohito Way
Tokyo, Japan

Re: Ur Oral GS-6886/Landeck. This is firm order to furnish the following on terms specified.

PO No: N00367-96-M-4532 Date: 95 Nov 01

Terms: Net 30 days

Reqn No: R0036752640280 (USS CHICAGO CG-11)

Deliver FOB Destination by: 95 Nov 15

Ship to: USS CHICAGO (CG-11)

Attn: Supply Department

Pier 12 Yokosuka Naval Shipyard

Yokosuka, Japan

Mark for: USS CHICAGO (CG-11)
Invoice upon delivery to:
Disbursing Officer, USS CHICAGO (CG-11)
Payment by: Disbursing Officer, USS CHICAGO (CG-11)
Schedule of supplies:
Item No. 1 of 1 - motor 091463 - unit price - \$143.31
Total amt: \$143.31
Mark all packages and papers with the PO number.

11. Unpriced POs (UPO)

a. Conditions for Use. An UPO is a PO for supplies or services where the price is not established at the time the order is issued. UPO may be unilateral or bilateral depending on the items or services being ordered. They may also be issued as confirming orders or as unsigned EPOs. However, the contracting officer may issue an unpriced order only when the following conditions exist.

(1) The PO shall not exceed \$25,000 or the contracting officer's delegated authority, whichever is less.

(2) It is impractical or impossible to obtain pricing in advance of issuing the PO.

(3) The purchase is for:

(a) Repair services requiring disassembly of the equipment to determine the nature and extent of the repair(s);

(b) Material (i.e., supplies) which is available from only one source and for which the cost cannot be readily established; or

(c) Supplies or services when prices are known to be competitive but exact prices are not known.

b. Establishing the Monetary Limitation. An UPO is issued with a dollar amount that the contractor is not to exceed. Since some contractors can easily take advantage of this type of pricing arrangement, the contracting officer shall exercise care and judgment in the selection of contractors who will receive these orders. In addition, a realistic monetary limitation, either on each line item or for the total order, shall be placed on the unpriced order. To determine a realistic monetary limitation, the buyer should ascertain as much information as possible from the requisitioner and the contractor about what costs may be involved in the final price. The following illustration contains factors that would be considered in an unpriced order for repair.

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FACTORS USED TO ESTABLISH NOT-TO-EXCEED AMOUNT FOR REPAIRS

PRICE-RELATED FACTORS EXPRESSED IN ESTIMATED NUMBERS OF --**	UNIT & UNIT PRICE	EXTENDED ESTIMATE
_____ Labor Hours	\$ _____/HR	\$ _____
_____ Call-Out/Trip Charges	\$ _____/TRIP	\$ _____
_____ Travel Miles	\$ _____/MILE	\$ _____
_____ Travel Hours	\$ _____/HR	\$ _____
_____ Days with Meals Included	\$ _____/DAY	\$ _____
_____ Lodging Days	\$ _____/DAY	\$ _____
_____ Car Rental Days	\$ _____/DAY	\$ _____
_____ Airline Tickets	\$ _____/TICKET	\$ _____
Possible/Probable Parts Required and the basis for the prices charges.	\$ _____/LOT	\$ _____
Other Factors considered:		
THE NTE PRICE IS REALISTIC BASED ON TOTAL ESTIMATED COSTS	1 JOB	NOT TO EXCEED \$

** These factors do not need to be itemized on the order, but should be kept as part of the solicitation record for use in evaluating the final invoice price. The contractor must agree to itemize each type of charge, as indicated above, on his/her service ticket/report and on the invoice.

c. Preparation of UPO. A DD 1155, Order for Supplies or Services, shall be prepared using the block-by-block instructions provided at the end of this chapter. A sample of a completed unpriced PO is also at the end of this chapter. The information that should be on the face of the form when issuing a UPO is listed below.

(1) Block 13 shall be annotated to require the contractor to send the invoice to the contracting officer.

(2) Block 17 should include the words "Not to Exceed" above the line of accounting data.

(3) The words "Not to Exceed" shall be entered in the schedule just above the total in block 25, and

(4) The words "Not to Exceed" or the abbreviation "NTE" should be entered above the line item amount in block 23 when only one or more of the line items are on a NTE basis.

d. Notice to Supplier Clause. In addition to the special markings on the face of the DD 1155 and in addition to any other required clauses, every UPO shall contain FAR clause 52.213-3, "Notice To Supplier". This clause notifies the contractor that a firm order exists only if the price does not exceed the maximum line item or total price in the schedule. It advises the contractor that if performance cannot be done per the order, performance shall be withheld, notification given to the contracting officer and a quotation amount(s) shown on the DD 1155 without first notifying and obtaining approval from the contracting officer.

e. Increasing the Monetary Limitation. If the contractor advises the contracting officer that additional funds are required to complete the delivery or performance on a UPO, the contracting officer must decide what action to take. The contracting officer should obtain as much additional information as possible to make a proper evaluation of the situation and additional costs. The contracting officer should also confer with the requisitioner about the situation. After all the factors are weighed, the contracting officer may decide to allow the contractor to continue to perform or may decide to have the contractor cease performance. The contracting officer's determination will result in one of the following actions:

(1) The UPO may be modified to allow the increase in price if the new price is considered fair and reasonable under the circumstances and the requisitioner provides additional funds, if necessary. If at all possible, the modification should change the not to exceed amount to the fixed-price that will be paid to the contractor upon completion of performance. The contracting officer should include a statement in the UPO

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file that includes all the information to support the decision to modify the order.

(2) If the contracting officer decides that the explanation and the new quoted price by the contractor are not reasonable, (or the funds are not available, or the costs outweigh the benefits to the Government, etc.) the contracting officer must terminate the contractor's performance. In this case, the contracting officer must tell the contractor to cease performing and to send his/her invoice for the performance up to that time. No modification should be required if the contractor has performed per the UPO terms; and the invoice that is received should not exceed the amount shown in block 25 on the DD 1155. If the amount does exceed the monetary limitation, it should be returned to the contractor with an explanation that it is an improper invoice since it exceeds the authorized amount.

f. Certification of UPO Invoices. The contracting officer or his/her designated representative shall review each invoice resulting from an unpriced PO and certify that the price is reasonable before processing the invoice for payment. If the contractor completes performance without exceeding the monetary limitation, the invoice may be paid if the itemized charges are reasonable/accurate. If the contractor invoices less than the amount shown in block 25, the UPO need not be modified to reflect the final price.

g. Distribution of UPO. Distribution of UPOs is the same as any other PO. After the invoice is certified for payment, the signed original of the PO shall be attached to the invoice and forwarded to the disbursing officer for payment or to the payment office indicated on the DD 1155.

h. Follow-up/Record of Status. The contracting officer is required to follow-up each unpriced order to ensure timely pricing. A suitable local record of outstanding UPO shall be maintained. The record shall show the order number and date, the contractor, the estimated NTE amount and date follow-up was performed, as appropriate. A file containing copies of UPOs is the suggested method of maintaining this record.

i. UPO Review. All ships issuing UPOs shall perform appropriate reviews of the UPO procedures used. The purpose of the UPO review process is to ensure contractors who receive such orders are charging fair and reasonable prices; that the buyer is properly documenting the basis for establishing the monetary limitation on the UPO and to ensure that prompt billing is received and invoice certification is adequate. If necessary, the ship's procedures for the use of UPOs should be changed or improved based on the review process. The following reviews must take place.

(1) Realistic Monetary Limitations. The documentation of basis used for determining a realistic monetary limitation shall be reviewed at the time each UPO is issued. Corrective action shall be taken prior to award if the documentation is found inadequate. Consulting with technical personnel on the estimated time and material required to accomplish the job may be necessary to improve the basis for the determination.

(2) Validity of Billing Prices. The validity of billing prices shall be reviewed semiannually to provide reasonable assurance that billed prices represent the fair value of the items/services purchased. Each contractor's billing record shall be reviewed to see if the number of hours, the materials required, etc., were reasonable considering the complexity of the task required by each UPO. Billing prices shall be compared with UPO monetary limitations for the express purpose of identifying contractors who consistently bill at 95 percent or more of the established monetary limitation. Suppliers whose integrity may come into question should not be considered eligible for UPOs until such doubts are resolved.

(3) Fair and Reasonable Price Determinations. At least twice a year, the adequacy of the written fair and reasonable price determinations for UPOs that exceed the micro-purchase threshold at the time of final billing must be reviewed. In addition, the files should be reviewed to ensure a copy of the properly certified invoice is in every UPO file. Corrective action should be taken as necessary.

(4) Outstanding UPOs. During any of the above reviews, the supply officer should take action to have the contractor send an invoice for any completed UPOs for which no invoice has been received and the completion date was 30 or more days ago. The follow-up conversation should be documented in the UPO file.

12. Distribution of POs. Ships must develop and maintain a system for the distribution of POs. In addition to a signed copy being forwarded to the contractor and a copy maintained in the official contract file, other distribution should be made per NAVSUP Publication 485 and relevant TYCOM instructions.

13. Modification of POs. Procedures for all modifications are found in Chapter 6 of this enclosure.

14. Inspection and Acceptance. The procedures for inspections and acceptance are the same as any other shipboard procurement. Inspection and acceptance procedures are in Chapter 6 of this enclosure.

15. Payment Procedures. Payment procedures to be used in POs are discussed in Chapter 6 of this enclosure.

CHAPTER 6

ADMINISTRATION OF PURCHASES

Shipboard Procurement Authority, General Policies, Requisitions, Solicitation and Evaluations, Shipboard Procurement Methods, Administration of Purchases.

1. Scope. This chapter prescribes procedures for the administration of shipboard procurements.

2. Purpose. The purpose of this chapter is to discuss the administration of shipboard orders. Administrative functions are the actions required after the award has been made. This chapter sets forth the administrative functions from follow-up procedures through the destruction of the purchase file.

3. Follow-up Procedures. Follow-up procedures for open purchases are essentially the same as for regular requisitions. The supply department should have a system in place to track outstanding material. Prior to or when a RDD has passed, contact the supplier by telephone or letter requesting status of the delivery.

4. Modifications to Purchase and Delivery/Task Orders. Sometimes circumstances arise after a PO or Delivery/Task Order is issued which dictate that the order be modified. Modifications that are generally used by shipboard contracting officers are discussed below.

a. Supporting Documentation. All modifications should be supported by documentation that explains the contracting officer's reason(s) for modifying the order. The supporting documentation may be as simple as a short note stating the reason for the change or may require a new or amended requisition. When modifying POs, the documentation must also address the reasons for not seeking competition if the new total on the order exceeds the micro-purchase threshold, and a written fair and reasonable price determination if the new total on the order exceeds the micro-purchase threshold.

b. Preparation of Modification. POs and Delivery/Task Orders against IDTCs shall be modified by use of a SF 30, Amendment of Solicitation/Modification of Contract.

c. Numbering of Modifications

(1) Modifications to POs. Each modification shall reference the applicable PO number as well as contain a modification number. The PO number is entered in block 10A on the SF 30. The modification number shall be entered in block 2

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on the SF 30. Modification numbers shall consist of a six position alphanumeric number constructed as follows:

(a) The first position shall be the capital letter "P" which identifies the purchasing office as the office issuing the modification; and

(b) The second through sixth positions shall be a five-digit serial number sequentially issued commencing with 00001 through 99999. For example, the first modification to a PO issued by the ship's contracting officer shall read "P00001".

(2) Modifications to Delivery/Task Orders Against IDTCs. Modifications to IDTC orders shall contain the contract number and the delivery/task order number in Block 10A and will be numbered with a two digit number in Block 2 on the SF 30 starting with "01" through "99" for each applicable order.

d. Modifications to POs. The types of modifications to POs which will generally be utilized by shipboard personnel are discussed below:

(1) Administrative Change. An administrative change is a modification that does not alter the essential agreement between the parties. The contracting officer may make administrative changes without requiring the contractor's acceptance in writing at any time. An administrative change is indicated by checking Block 13B on the SF 30 and entering the information about the change in Block 14. Administrative changes are often issued for reasons such as:

(a) Changes in accounting and appropriation data,

(b) Corrections of typographical errors, and

(c) Changing the administration, invoicing, and/or paying office(s).

(2) Unilateral Modifications to POs. The unilateral modification allows you to make changes to a unilateral PO (the Government's offer) prior to acceptance by the contractor without obtaining the contractor's written acceptance. Unilateral modifications may include changes to, or withdrawal of all or part of the offer. Since the contractor has not performed, the contracting officer may modify the offer unilaterally, subject to the following conditions.

(a) The modification must be issued prior to commencement of performance and be within the scope of the original order.

(b) Agreement must be obtained from the contractor

on the proposed change/withdrawal and be annotated on the resulting modification. This should include a reference to the contractor's confirmation and agreement of the proposed change (phone call/letter, etc.).

(c) Block 13D on the SF 30 shall be annotated with the authority to issue the unilateral modification and block 14, Description, should contain the appropriate changes.

(3) Supplemental Agreement. If the contractor has signed the bilateral PO or has started his/her performance on a unilateral PO, the contractor has accepted the Government's offer to buy the requested supplies or services. Once acceptance has taken place, the PO may only be modified by issuing a supplemental (or bilateral) agreement. A supplemental agreement may change, delete or add any supplies or services if the terms and prices are mutually agreed upon. The changes will normally be negotiated over the phone with the contractor. The SF 30 should reflect the results of these negotiations and the following:

(a) The effective date in block 3 will include the date agreed upon by the contractor and the contracting officer as the date on which the change will be effective;

(b) Block 12 must include accounting and appropriation data for the changes and indicate the net dollar amount of the increase or decrease;

(c) Block 13C on the SF 30 must be annotated to reflect the authority used to issue supplemental agreement which is FAR 43.103(a);

(d) Block 13E on the SF 30 must be checked to indicate the contractor is required to sign the document;

(e) Block 16 must be completed with the contracting officer's typed name, signature and date, and

(f) The applicable bilateral clauses shall be incorporated by reference in the modification unless they were previously included in the PO.

(4) Cancellation. If a unilateral PO has been accepted by the contractor (i.e., performance or delivery has begun) and the ship must cancel the order for any reason, the contractor shall be asked to agree to cancellation of the order without cost or liability to either party. If the contractor agrees, the cancellation shall be affected by the use of a unilateral modification as described above. The modification should state that the PO is hereby canceled at no cost to either party and

shall include a reference to the conversation, if any, in which the contractor agreed to the cancellation. The SF 30 should be sent to the contractor by certified mail, return receipt requested.

(5) Terminations. If the contractor does not accept the cancellation or claims that costs were incurred as a result of beginning performance under a unilateral PO, or if a bilateral PO is to be terminated for the convenience of the Government or because of the default of the contractor, the contracting officer shall process the termination action as prescribed by FAR Part 49. Before beginning such action, the case should be referred to the cognizant Office of General Counsel at the nearest regional contracting department of the FISCs/NRCCs. Action shall be withheld pending advice from the office to which the referral was made.

e. Modifications to Delivery/Task Orders Against IDTCs. Modifications to delivery/task orders by shipboard contracting officers can generally be accomplished by either an administrative modification or a supplemental agreement as described in paragraph 4d above. The same procedures should be followed for these modifications.

f. Contracting Officer's Signature. Each SF 30 shall contain the typed name of the contracting officer and shall be signed by a properly appointed contracting officer acting within his/her delegated procurement authority. The signature shall be entered in block 16B on the SF 30. The only person who may sign the modification is the contracting officer whose name is typed in block 16A. No one may sign an SF 30 "For" or "By direction."

g. Distribution of Modifications. The original and copies of the modification shall be distributed in the same manner as the original order.

5. Receipt, Inspection and Acceptance. Generally, shipboard procurement actions are administered by personnel in the supply department. Evidence of the receipt, inspection and acceptance must be placed in the purchase file. For further discussion of receipt procedures, refer to NAVSUP P-485. The following policies and procedures apply.

a. Receipt. The individual designated for the receipt of materials or services must be other than the requisitioner, buyer or the contracting officer.

b. Inspection. Receiving personnel or personnel of the requiring department shall normally inspect supplies or services obtained using the ship's authorized purchasing procedures. For simplified acquisitions, this inspection will generally consist of a visual examination of the type, kind, quantity, condition

or damage, operability, packaging and marking.

c. Acceptance. If the quantity is correct, circle the quantity on the DD 1155 receiving copy. Check receipt box, sign and date in block 26. If quality is acceptable, check inspection and acceptance boxes, sign and date in block 26. If utilizing a method in which a DD 1155 is not issued, the vendor's delivery ticket shall normally be used to document receipt and acceptance. If quantity is not correct or quality is not acceptable, notify the supply officer immediately for his/her action and resolution.

6. Leaving Port

a. General. Before leaving port, the supply officer shall make reasonable efforts to have all orders for supplies or services delivered. When purchase is made by a supporting contracting activity ashore, contact that contracting activity for assistance. Do not cancel or otherwise modify orders issued by an ashore contracting office. The following procedures apply to purchases made using the ship's contracting authority. The contracting officer generally will either cancel unfilled orders or make firm arrangements with the vendors for shipment; either of which requires a modification as described in paragraph 4.

b. Purchases While in the U.S. When leaving port without the ordered supplies or services, the ship's contracting officer's options are:

(1) Cancel the Order. Make contact with the contractor to determine if the delivery/task order, PO or BPA call can be canceled at no cost to the Government. If so, cancel the order using the procedures in paragraph 4.

(2) Mailable Material. If the material is mailable, have the supplier mail the order to the ship. An administrative modification should be issued to change the delivery address to a mailing address.

(3) Material Not Mailable. If the order is not mailable and there is not sufficient time for delivery, arrange to have the order delivered to the nearest supply activity for transshipment. Instruct the supplier to mark the packages with the following information:

TCN/Req No. _____ TAC _____
IDTC No./PO No./BPA No. _____
DO/Call No. _____ Issue Group _____

c. Purchases in Foreign Ports

(1) Prior to Entering Into a Purchase. The supply officer ensures that the supplier can deliver the supplies or services and bill while the ship is in port.

(2) After Delivery. If the supplies or services have been accepted and the bill has not been submitted, the supply officer shall:

(a) Contact the supplier to request that the bill be submitted.

(b) If the bill is not presented before the ship departs, arrange for a local shore activity, Naval Attaché, Naval Observer or consular office to make the payment. At least three copies of the delivery/PO with evidence of receipt and acceptance must be provided to the paying office.

(c) If local paying arrangements cannot be made, inform the supplier that prompt payment will be made upon receipt of the invoices in the mail.

(d) Send contractor an administrative change to modify the "mail invoices to" and/or "payment shall be made by" address, if applicable.

(3) Supplies Not Delivered. If supplies will not be delivered by the RDD, cancel the order. (See paragraph 4.)

(4) Ship's Early Departure. If the ship departs early (ahead of RDD), make payment, have supplies delivered to the local shore activity or husbanding agent and arrange for transshipment. If no shore activity or husbanding agent is available to arrange for transshipment, contact the closest Navy Transportation Officer (T.O.). For assistance, contact NOLSC Norfolk at 757-443-5305 or DSN 646-5305.

7. Payment. The Government has an obligation to ensure contractors are paid in a timely fashion for the supplies and services they provide to DON activities. Buyers and contracting officers must include invoicing instructions for the contractor and specify the Government's payment procedures when preparing and issuing orders using SAP. For payment procedures when making micro-purchases using the ship's Imprest Fund or a GCPC, buyers should refer to Chapter 7A Section I and Chapter 9 of enclosure (1), respectively. Chapter 9 prescribes payment procedures to be used when issuing delivery/task orders, POs or BPA agreements.

a. Prompt Payment. FAR 32.9, DFARS 232.9 and NMCAG G5232.9 prescribe policies, procedures and clauses for implementing the

Office of Management and Budget (OMB) Circular A-125, "Prompt Payment." These references require DON activities to pay for supplies or services accepted by the Government within the specified time limits after receipt of a proper invoice to avoid paying the contractor automatic interest penalties for late payments. For Prompt Payment purposes, every contract, including actions accomplished by SAP, should include on its face whether the payments under it are

(1) Subject to the 7 calendar day constructive acceptance period;

(2) Subject to acceptance terms other than (1) above; or

(3) Not subject to the Prompt Payment Act.

(a) Purchasing Office Responsibility. As FAR clause 52.232-25 is incorporated by reference in the order, the purchasing office should have a procedure in place for ensuring receiving, inspecting, accepting and billing office personnel are aware of the time frames involved in the prompt payment process. In addition, purchasing personnel must provide the contractor clear instruction on how and where to submit his/her invoice.

(b) Proper Invoice. The clause requires the contractor to submit a proper invoice to the billing office stipulated by the contracting officer. If the invoice does not comply with the following requirements, the contractor must be notified of the defect(s) on the invoice within 7 calendar days, three for meat, meat food products or fish; and 5 days for perishable agricultural commodities, dairy products, edible fats or oils and food products prepared from edible fats or oils) after receipt of the invoice at the designated billing office.

1. Name and address of contractor.

2. Invoice date.

3. PO number, BPA and BPA call numbers, or contract and delivery/task order numbers.

4. Contract line item number, item description, quantity, unit of measure, unit price and extended price of supplies delivered or services performed.

5. Prompt payment discount terms, shipment number and date of shipment (bill of lading number and weight of shipment will be shown for shipments on Government bills of lading).

6. Name and address to which payment is to be

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sent (which must be the same as that on the ordering document or on a proper notice of assignment).

7. Name (where practicable), title, phone number and mailing address of person to be notified in event of a defective invoice.

8. Any other information or documentation required by the terms and conditions stated in the order (such as evidence of shipment).

(c) Prepare Invoice Certification. On the invoice or the payment office copy of the order, stamp or type the following information:

1. Date Material Received,
2. Date Dealer's Invoice Received,
3. Dealer's Invoice Number(s),
4. Date Forwarded for Payment, and
5. Name of Paying Activity.

(d) Invoice Processing Time frame. Ships must submit the invoices to the paying office within 5 working days. Payments are due as outlined in the next subparagraph unless specified differently in the contract. The supply department must retain a copy of the certified invoice in the purchase file.

(e) Payment Due Dates. The payment due date for most supplies and services is the 30th calendar day after the later of either the receipt date of a proper invoice by the designated payment office or the Government's acceptance date of supplies delivered or services performed. Special attention should be given to the payment due dates of no later than:

1. Seven calendar days after product delivery of fresh or frozen meat, poultry, fish, or eggs; or their perishable food products.

2. Ten calendar days after product delivery of perishable agricultural commodities or dairy products.

(f) Interest Penalties. An interest penalty shall be paid automatically by the designated payment office if payment is not made by the above due dates if a proper invoice was received by the billing office; a receiving report authorizing payment was processed; and there was no disagreement

over quantity, quality or contractor compliance with any contract term or condition.

b. Payment Office. The office specified on the ordering document will pay dealer's invoices. Block 15, payment will be made by on the DD 1155, should specify one of the following:

(1) Domestic Purchases (CONUS, Alaska and Hawaii)

<u>Fleet units</u>	<u>Payment Office</u>
Atlantic Fleets	DFAS-CL Norfolk OPLOC Norfolk, VA
Pacific Fleets (CONUS & Alaska)	DFAS-CL San Diego OPLOC San Diego, CA
Pacific Fleets (Hawaii)	DFAS-CL Pearl Harbor OPLOC Pearl Harbor, HI.

(2) Overseas Purchases. If the ship has a disbursing officer, the disbursing officer will make payments. If the ship does not have a disbursing officer, payments will be made by, in order of precedence:

- (a) Nearest military disbursing officer in the area,
- (b) U.S. disbursing officer (Embassy), or
- (c) Nearest DFAS) or Operating Location (OPLOC).

8. Maintenance of Purchase Files. A purchase file documenting all actions taken will be maintained for each individual purchase action regardless of which acquisition method is used. The file documents for each purchase action should be maintained in the same folder, if practicable.

9. Close Out of Purchase Files. Contracting officers may use two alternative methods to close out contract files when they maintain administration of the contract file. One, the contracting officer may consider files for contracts closed when the contracting officer receives evidence of receipt of property and final payment. The contracting officer may also consider the contract closed out 180 days after the scheduled delivery date unless there is an indication that final delivery (physical completion) and final payment have not occurred by that date. In addition, contract completion documentation should be minimized and limited to a statement in the purchase file(s) that the contracting officer considers the purchase file closed

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out per the procedures noted above.

Whenever possible, the contracting officer should use a blanket statement covering a group, class and/or series of purchase files within a given time period that are being closed out. Contracting officers remain responsible to ensure that contractors are paid in a timely manner and the customer receives the goods and services purchases.

Although individual documents within the official file may not need to be retained for the full period, the complete purchase file may be destroyed 3 years after final payment has occurred.

10. Demand Based Reporting of Locally Purchased Items. Report all equipage, repair parts or consumables procured by local purchase to the NAVICPs. This information is required for positioning materials for repetitive Fleet requirements. Report all items whether purchased with imprest funds, DD 1155s, IDTCs, calls made under BPAs or purchases made with GCPCs. (See NAVSUP P-485).

11. Disposal of Purchase Files. Purchase files shall be destroyed 3 years after final payment or 3 years after a Logistics Management Assessment (LMA) by the TYCOM, whichever is later.

12. Management Review Checklist. Each TYCOM is responsible for conducting a review of each ship's procurements. This is accomplished during the scheduled Management Assessment. The following list covers the main areas that the team reviews. Ships should use the following checklist to conduct their own internal review.

MANAGEMENT REVIEW/PROCUREMENT CHECKLIST

a. Are purchase descriptions adequate? Are required special purchase approvals in the file? Is there evidence of challenges to questionable items?

b. Has the requester adequately justified sole source, name brand or specific make and model specifications?

c. Has the requester provided an adequate statement on why "or equal" items are not considered equal to the brand name requested?

d. Is there an open purchase justification in the file? Is there evidence that requirements were screened for standard stock materials? Is there evidence that shore contracting activities could not support the ship?

e. Is there evidence of split orders? Do orders placed in

sequence reflect consolidations to get price breaks and reduce paperwork?

f. For micro-purchases, are awards being equitably distributed (are you rotating through approved suppliers)?

g. Are purchases over the micro-purchase threshold properly documented to show compliance with the rules of competition, fair and reasonable pricing determinations, sole source justifications?

h. If procurements exceed the micro-purchase threshold and are made in the U.S., has the Total Small Business Set-Aside been complied with? Have you documented the size of the businesses being dealt with? Has the set-aside been properly dissolved, when applicable?

i. Are requisitions or buyer's worksheets documented with all the information provided by the quoter(s)?

j. Are purchase logs being accurately completed?

k. Is the purchase method used the most cost-effective method available?

l. Are DD 1155s accurately completed?

m. Is the correct appropriation data used on the order?

n. Are transportation requirements addressed?

o. Is Government-furnished property being addressed in the order? Are acquisition values being provided by the requester?

p. Are appropriate clauses included in POs or BPA calls?

q. Are ordering documents signed by an authorized contracting officer?

r. Are oral orders or unsigned electronic POs approved by the contracting officer prior to their release?

s. Are oral orders confirmed in writing and in a timely fashion? Is a copy of the message in the purchase file for unsigned EPOs?

t. Do bilateral orders or modifications have both the contracting officer's and the contractor's signature on them?

u. Are modifications properly prepared and distributed? Is the back-up documentation for the modification adequate? Is lack of competition justified and a fair and reasonable price

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determination made when applicable?

v. Is there documentation of receipt, inspection and acceptance in the purchase file?

w. Are invoices being promptly certified and forwarded for payment in a timely fashion?

x. Are purchase actions being properly reported?

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NAVAL CONTINGENCY CONTRACTING
OFFICER PROGRAM

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Introduction

In recent years, crisis situations worldwide have required the rapid deployment of personnel to support U.S. national interests. These contingencies in Military Operations Other Than War have involved military and other public, joint or allied elements. Contingencies require planning, rapid response, flexible procedures and integration of efforts.

The need for a viable contingency contracting capability arises from the complex nature of the acquisition process and the necessity to support joint or multinational forces. A trained contracting cadre to support contingency operations ensures that proper methods are employed in the procurement of supplies and services and that responding forces receive the required logistics resources to perform their mission. Localized contracting reduces response time and frees up critical storage space within military airlift, sealift channels. Properly executed, a contingency contracting capability becomes an "arrow in the quiver" of the force commander and can be used as a force multiplier.

The Deputy Assistant Secretary of the Navy for Acquisition Management (DASN(ACQ)) has delegated authority to the NAVSUP to coordinate the Naval Contingency Contracting Program. Subsequently, the NAVSUP Deputy Commander for Contracting Management (NAVSUP 02) is responsible for promulgating policies and procedures associated with the Naval Contingency Contracting Program. NAVSUPINST 4230.37 series was issued to satisfy that requirement and provide the required guidance to naval contingency contracting officers. In addition, NAVSUP Publication 713 was issued as a companion guidebook for contingency contracting officers to use during deployments.

The DON contingency contracting program is based upon a triad concept of support elements: the existing infrastructure of the CONUS and OCONUS regional contracting activities of the Navy Field Contracting System (NFCS), the existing worldwide network of husbanding services contracts and the military and Navy civilian contracting personnel designated for rapid deployment under this program.

Chapter 1

General Policies

1. Purpose. Provide a placeholder within DON Simplified Acquisition Procedure Supplement that provides general guidance on the Naval Contingency Contracting Program. Since contingency contracting officers normally use SAP to accomplish their mission, this instruction should be part of a contingency contracting officer's tool-kit. Contingency contracting officers should refer to NAVSUPINST 4230.37 series and the Naval Contingency Contracting Handbook for specific policies and procedures regarding the program.

2. Scope. NAVSUPINST 4230.37 series and the Naval Contingency Contracting Handbook applies to the NRCCs and all DON commands, activities and organizational elements exercising delegated contracting authority under the HCA of NAVAIR, NAVSEA and NAVSUP.

3. Program Objective. The Naval Contingency Contracting Program is chartered to provide logistics support to the Fleet and designated joint or multinational forces in support of their mission in both Military Operations Other Than War and Major Theater Wars. The program is not chartered for use in providing personnel to support military exercises or for use in filling routine contracting staff vacancies. Support for contingency contracting functions is provided through the dedication of personnel, resources and centralized policy coordination within DON.

4. Procedures

a. For contingency operations, the Combatant Commander (CC) determines and validates its force requirements and tasks service component commands to identify and assign individuals to meet the requirements. If the Navy Component Commander (NCC) cannot fill personnel requirements from forces assigned, CNO 3/5 will be alerted concurrently with the CC and the Chairman of the Joint Chiefs of Staff (CJCS). CNO 3/5 will validate the requirement per OPNAVINST 1001.24 series. If CNO 3/5 determines the requirement is valid, the requirement is forwarded to Naval Personnel Command (PERS 4IA) who tasks via naval message the appropriate Navy claimant best able to satisfy the skill requirement.

b. Formal tasking to NAVSUP for contracting personnel to support contingency operations shall be considered a tasking under the Naval Contingency Contracting Program. As such, the augment responsibility is applicable to those claimants and

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commands included in the scope of this instruction.

c. If tasked, NAVSUP 02 will make all possible attempts to satisfy the augmentation requirement with in-theater assets of the applicable regional contracting activity. Absent available or sufficient resources, NAVSUP 02 will notify the claimant and command program coordinators of the specific requirement.

d. Personnel details will be made on a voluntary basis when time permits and if skill, experience or other unique requirements are not a factor. Absent those factors, details will be made on a fair share basis. The rotation will be based on the current number of authorized military contracting billets within those claimants within the scope of the Naval Contingency Contracting Program (e.g., larger commands will be expected to provide first) and history of claimant/command participation.

NAVSUP 02 will specify the command. The command will identify a person that meets the detail requirements. Upon NAVSUP 02 concurrence with the command recommendation, the personnel detail will be made.

e. Nonvoluntary details of multiple personnel will be dispersed among commands to preclude any adverse impact on the contracting mission of the affected organization. Commands identified in NAVSUPINST 4230.37 series, would not normally provide more than one concurrent, nonvoluntary augmentee unless the total program requirement exceeds the number of commands covered under the scope of this instruction.

f. Mobilization of members of the selected reserve to support contingency contracting operations will be coordinated by NAVSUP 09R per BUPERSINST 1001.39 series.

g. Personnel details will normally coincide with the time period specified by the requesting CC and as verified and approved by CNO. Active duty military, reserve military and civilian personnel details made under the scope of this program will not exceed 179 days.

h. NAVSUP, as program sponsor, will retain ultimate authority and responsibility for the process of detailing personnel assigned to the Naval Contingency Contracting Program.

5. Contracting Officer Warrants. The applicable Combatant Commander Acquisition and Contracting Board will usually establish joint or multinational contracting operations under the authority of Joint Pub-4. Navy organic and civilian personnel assigned under the auspices of the Naval Contingency Contracting Program will normally supplement existing contracting operations already established in-theater. Program

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personnel may also be deployed to back-fill forward deployed personnel at designated Navy field contracting activities. Consequently, deployed personnel will normally exercise warrant authority under the HCA of the lead service component in-theater. Warrant authorization will be geographically collocated within the deployment area. The close proximity between the CCO and the warrant authority will facilitate timely, efficient technical support for the CCO. NAVSUP 02 reserves the right to review all warrant authorizations.